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EXECUTIVE HANDBOOK FOR FINANCIAL MANAGEMENT.(U)
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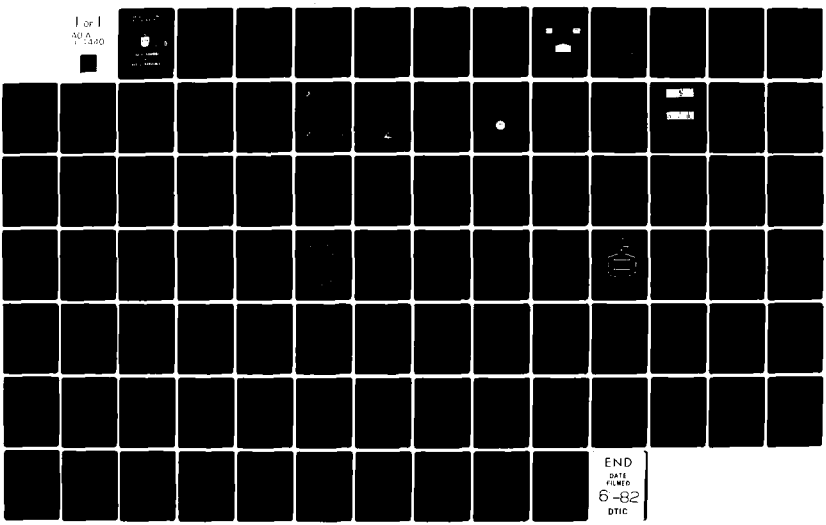


US ARMY INSTITUTE OF PERSONNEL AND RESOURCE MANAGEMENT

Fort Benjamin Harrison, Indiana 46216

EXECUTIVE HANDBOOK for FINANCIAL MANAGEMENT

EHFM-5 (JAN 81)

PREFACE

The Executive Handbook for Financial Management is a valuable educational and ready reference aid for the use of officers and other Army officials in positions requiring management of the Army's financial resources.

The Army is vested with the public's trust and confidence for defending our Nation. The members of the Army have a responsibility with respect to the assets with which we have been entrusted by the American people. Financial Management is an integral part of the commander's role in fulfilling this responsibility. Moreover, judicious financial management is the basic means by which today's programs are executed and tomorrow's goals are formulated. Responsible financial management is the key to generation and maintenance of the essential Army readiness posture.

Commanders bear the responsibility to ensure that the highest standards attend the accounting for public assets; therefore, commanders and their key staff officers must have a basic understanding of the procedures and techniques of fund control. This handbook is designed to provide that knowledge. Financial management matters will be handled through command channels, and those directly responsible for misuse of funds will be held personally accountable. It is essential that the highest standards of integrity and care characterize management of resources. Command emphasis on financial management at all levels will assure such standards.

CONTENTS

Chapter 1

INTRODUCTION

1-1. GENERAL. Commanders and directors of engineering and housing of large CONUS installations often observe the handiwork of contractors and buildings and ground crews by making periodic surveillance flights over their real estate. At one installation a new building was discovered at a remote location, far from the main post, where a troop unit was performing a regularly assigned mission. The building had been built by the unit with misappropriated materials. At another installation a fire caused by faulty wiring resulted in unusually high dollar damage for the type building in which it occurred. Fire inspectors discovered that an unauthorized false ceiling had made the sprinkler system ineffective and the carpeting that was destroyed by water was not authorized in the first place. Both building improvements were so-called "self-help." Unfortunately, in many documented cases of regulatory and statutory violations, there is evidence of ignorance, misinterpretation, or illegal use of funds. In many cases, responsible officials ignore a violation and continue to march or attempt to cover it up. Should installation commanders and their senior leaders throw up their hands and conclude that laws, regulations, and computerized systems make fund usage and control impossible? Should we allow congressional leaders and Army historians to write that "Army commanders have lost their ability to control funds and render accurate stewardship on the use of those funds?" Hardly! There is a sound system for control and use of resources, but it requires understanding, command direction, and timely review of the actual versus the programed status of funds by the commander and his principal staff officers.

1-2. HANDBOOK OVERVIEW. This chapter presents an overview of the system available to installation commanders to enable them to control and spend Government funds properly in accomplishing their mission.

a. The Army installation management body for controlling funds. Financial management is a commander's responsibility. It cannot be delegated to comptrollers or financial managers at lower levels. To aid the commander in carrying out this responsibility there is a Program Budget Advisory Committee (PBAC)(see fig. 1-1), which serves to assist the commander in determining the priority for use of funds. This group is also vital in the critical function of reviewing actual use of funds versus programed use and recommending adjustments. When budget analysts, major activity directors, and installation comptrollers know that the deputy commander or chief of staff chairs the Program Budget Advisory Committee and hears first hand the rationale leading to decisions, the quality of fund control and usage is improved immeasurably.

b. Standard fund control language. The Army Financial Management Structure in the AR 37-100 series provides a standard language for fund control that extends from congressional leaders to the lowest ranking clerk who prepares vouchers for payment of the Army's bills. For example, it soon becomes common knowledge that Program 7 is for the supply and maintenance of the Army. For a brief rundown on all the operating and investment funds, see chapter 2.

c. The current philosophy of fund control. Commanders may delegate the authority to establish and maintain procedures for controlling funds, but commanders are never relieved of their responsibility to insure that procedures established and maintained will prevent violations of laws and directives. Commanders receive their authority to spend public funds for accomplishing their mission by means of a funding authorization document (FAD). At that moment Commanders and members of their staff who have been delegated fund control responsibility become subject to AR 37-20, "Administrative Control of Appropriated Funds," which is the Army's implementation of Section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), the Anti-Deficiency Act (often referred to in this book as RS 3679). The main features of AR 37-20 are listed in chapter 3, but suffice it to say at this point that, if an intentional violation of RS 3679 is proven, those responsible are subject to being charged with a felony. For more information on decentralizing fund control to the major activity directorate level on Army installations, see chapter 3.

d. Sources of assistance to commanders. There are at least two sources of technical assistance available to the commander when he feels that an independent evaluation of an activity is required. These sources are the installation internal review auditors and command-requested audits performed by the US Army Audit Agency. These are discussed more fully under the Real Time Audit and Review section in chapter 3.

e. Management of installation operating funds. The management of operating funds at installations is a challenging task. This handbook discusses the appropriations received at installations and points out the areas where restrictions or other directives should be noted.

f. The role of major activity directors. Most installations throughout the Army are organized with a directorate staff. Very little of the money received to operate an installation will be spent under the day-to-day scrutiny of the commander. Most of this day-to-day operation will be under the direction of the major activity directors such as the Director of Engineering and Housing and the Director of Industrial Operations. The commander must insure that funds are properly controlled within each directorate to which authority to spend money has been delegated. For more information on directorate operations, see chapter 5.

g. Installation budgeting. An installation must express its plans for the future in terms of the amount of money that will be required to accomplish the mission. This is a highly technical, strictly time-controlled process that begins at the lowest level at which funds will be allocated and culminates with the final approval of the command operating budget by the commander following a PBAC recommendation. The details of this budget preparation are in chapter 6.

h. Purchasing supplies for the installation. Each year the installation spends large amounts for the supplies and equipment required to accomplish its mission. The timing of these purchases is critical from two aspects: (1) if a shortage occurs, work productivity can suffer; and (2) the ordering of supplies must be watched carefully at year-end. Since the money to pay for supplies cannot be carried over to the next year, receipt of supplies in the

fiscal year in which they were ordered is extremely important. Supplies planned for receipt in the current year but not received until a later year can cause a lower fund usage than expected. Supplies that are received in the current year but were not expected until the next fiscal year could cause an overobligation of funds. A more detailed explanation of purchasing supplies and equipment is in chapter 7.

i. Construction, maintenance and repair. Many of the reported RS 3679 violations in past years have occurred in this area. Subjective decisions required in work classification as well as unauthorized work performed by units on the installation that the post engineer learns of "after the fact" make this a very susceptible area for violations. The Director of Engineering and Housing (DEH) is the installation commander's day-to-day manager of work projects. Training of all DEH employees and awareness programs for all DEH customers can provide greater assurance that laws and statutes are not being broken. More information and a chart of limitations are in chapter 8.

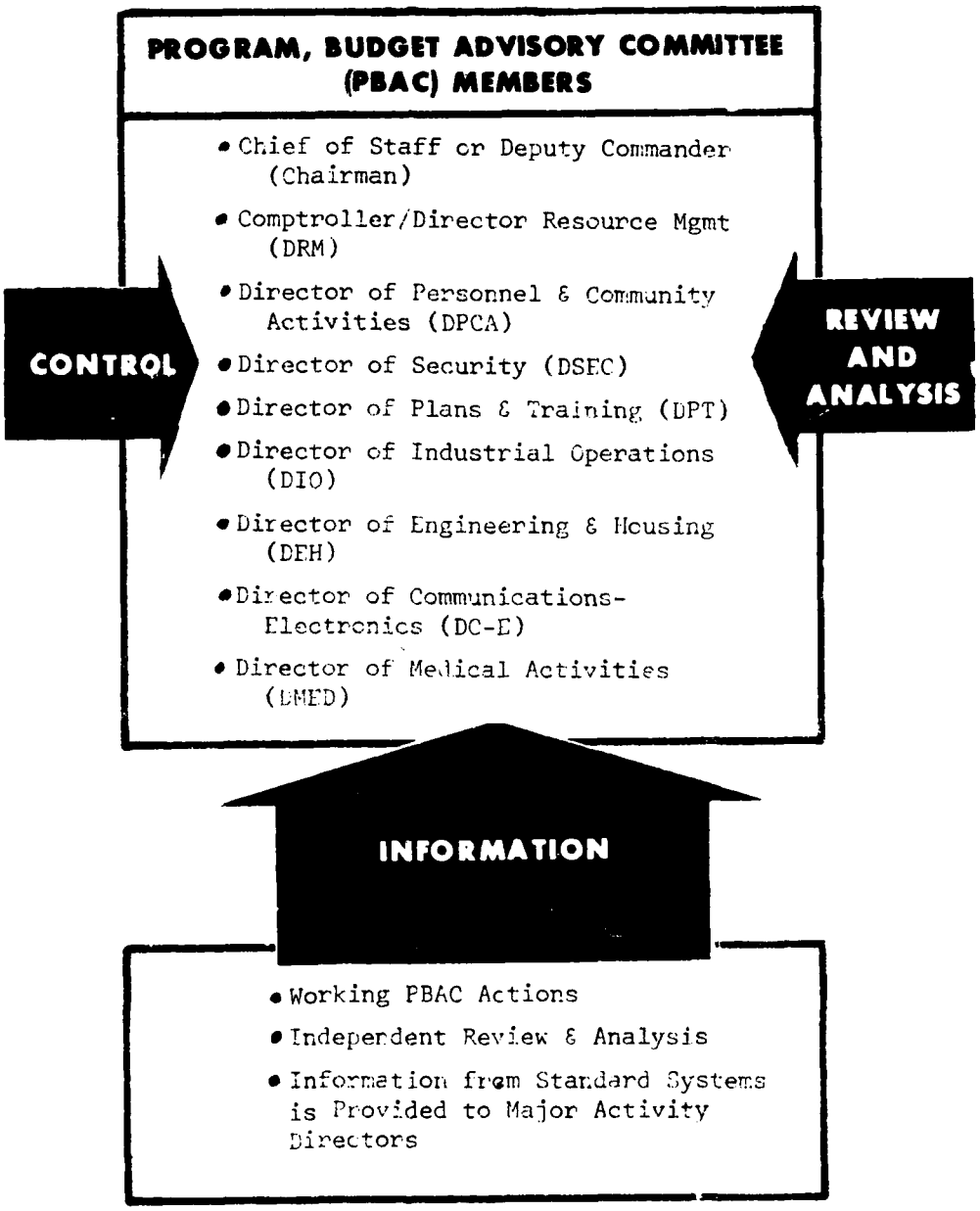
j. Research, development, test and evaluation. Speed of execution and quality are essential characteristics of Army research and development. Every authorized action should be taken to reduce the time required to satisfy a materiel requirement or nonmateriel objective. Funds must be planned and programed within programing guidelines to insure the proper conduct of the development effort. For more on this subject, see chapter 9.

k. Army procurement accounts. The reimbursable (customer) programs for which the Army is responsible are a multi-billion dollar operation. Possibly the most damaging of all factors that led to the Army program and fund control problem was the loss of control over customer orders. Customer orders, once officially accepted by the Army, represent authority to incur obligations. When these orders change or get lost, duplicated, or cancelled, they impact on the Army's reimbursable obligational authority. This reimbursable obligational authority becomes an integral part of an appropriation's total fund availability. Consequently, tight controls need to be exercised over receipt and processing of customer orders to assure they are valid. The customer order program should be given the same management emphasis now being received by the direct Army program. See chapter 10 for more information.

l. Morale, welfare, and recreational services. This is the name for activities supported by nonappropriated funds, and it is big business on every Army installation. There is no longer a complete separation between appropriated and nonappropriated fund (NAF) management. In fact, the NAF budget must now be approved by the PBAC and the commander. The improper combination of nonappropriated and appropriated funds is also an area in which violations of RS 3679 can occur. For more information see chapter 11.

m. Role of the major Army commander. The major command (MACOM) is the Army's intermediate management level. It is the command responsible for assignment of missions to subordinate commands and allocation of resources in support of these missions. For additional insight into the role of the major commander in the financial management process, see chapter 12.

1-3. SUMMARY. This chapter has provided a brief overview of information contained in the remaining chapters. There is no substitute for knowledge of the laws and directives pertaining to fund control, and there is no commander who can be safely divorced from that knowledge.



INSTALLATION COMPTROLLER SUPPORT FOR THE FINANCIAL MANAGEMENT PROCESS

Figure 1-1

Chapter 2

THE ARMY MANAGEMENT STRUCTURE

2-1. GENERAL.

a. The main objective of the Army Management Structure (AMS) is to provide an integrated structure and specific definitions for use at all levels of command to control programing, budgeting, accounting, and reporting of all resources consumed by the Army. The numbers and symbols used become a language that is commonplace today and is required to describe actions taken. THEREFORE--

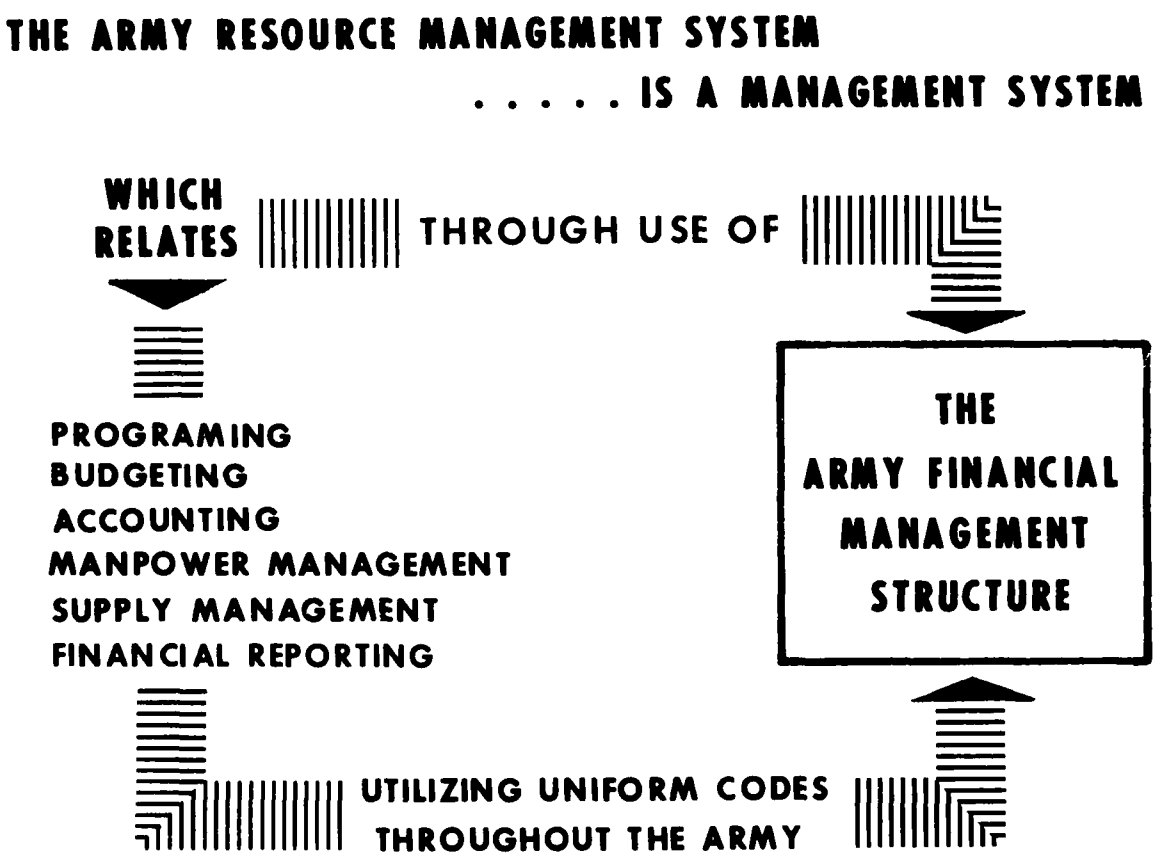


Figure 2-1

b. All financial transactions must be identified as to the source of funding, purpose for which used, and nature of the expense. Each of these "levels" of information can have either congressional or regulatory limitations applied. This chapter will describe those levels of information and the general procedures used to provide the authority for incurring liabilities against the US Government.

2-2. SOURCES OF FUNDING.

a. Congressional appropriations. Appropriations are the primary sources for the Army's financial requirements. Appropriated funds are functional in nature. The principal types can be categorized as operation and maintenance funds, military personnel funds, and investment funds. Another category is working capital funds, which are established for a unique operation. Specific coded symbol numbers are assigned to identify the type of funds for accounting and reporting purposes only.

b. Operation and Maintenance Appropriations. The following appropriations have as their basic objective the satisfaction of recurring needs of the Army:

(1) Operation and Maintenance, Army.

(2) Operation and Maintenance, Army National Guard.

(3) Operation and Maintenance, Army Reserve.

The majority of the fund expenditures from these appropriations are primarily used for the payment of base operations, supplies, and contractual services. These appropriations also finance the procurement of some small capital items and some minor construction costs.

c. Military Personnel Appropriations. The following appropriations are used to pay for the military manpower costs associated with the Army's force structure.

(1) Military Personnel, Army (MPA)

(2) National Guard Personnel, Army (NGPA)

(3) Reserve Personnel, Army (RPA)

These appropriations finance the pay, allowances, individual clothing, subsistence, and permanent change of station travel for active duty, National Guard, and Reserve personnel.

d. Investment Appropriations. The following appropriations are used to finance construction, procurement, and development costs.

(1) Military Construction, Army (MCA)

(2) Military Construction, Army National Guard (MCARNG).

(3) Military Construction, Army Reserve (MCAR).

(4) Aircraft Procurement, Army (APA).

(5) Missile Procurement, Army (MPA).

(6) Procurement of Weapons and Tracked Vehicles, Army (PWTVA).

(7) Procurement of Ammunition, Army (PAA).

(8) Other Procurement, Army (OPA).

(9) Research, Development, Test and Evaluation, Army (RDTE).

These funds are used for construction and to purchase major items of equipment ranging from tanks to chemical defensive equipment on the one hand and for research, development, and testing of items not yet designated for procurement on the other hand.

e. Working Capital Funds. These funds are theoretically a self-sustaining means for conducting and supporting a specific type of operation. Two examples are:

(1) Army Stock Fund.

(2) Army Industrial Fund.

2-3. OBLIGATION LIFE.

a. An obligation is the action taken to establish a liability against the US Government that will ultimately result in a disbursement from the US Treasury. Certainly, the dollar amount established by Congress for a particular appropriation limits the amount of total obligations that may be incurred. However, a time factor may also limit the availability of an appropriation for obligations. In this regard, an appropriation may be referred to as an annual, a multi-year, or a no-year appropriation.

b. An annual appropriation is available for incurring obligations only during the one fiscal year (that is, 1 October through 30 September of the succeeding year) specified in the appropriation act. The operation and maintenance funds at an installation are a portion of an annual appropriation.

c. A multi-year appropriation is available for incurring obligations for a definite period in excess of 1 fiscal year. The RDT&E and procurement appropriations are multi-year. Their programs may be obligated for 2 and 3 years, respectively.

d. A no-year appropriation is available for incurring obligations for an indefinite period of time, until exhausted, or until the purpose for which

appropriated has been accomplished. The Army Industrial Fund is a no-year appropriation.

2-4. PROGRAM STRUCTURE.

a. Within the appropriations, various budget programs have been established. These programs become the focal point around which the financial management cycle revolves. The programs are formally structured for organizing direction and control of Army activities. Installation managers are required to budget, control, and report the use of financial resources in terms of the Army programs.

b. The Army Management Structure is designed to conform to the Department of Defense Structure of the Five Year Defense Program. The following 10 programs currently comprise the program structure and, as evidenced by the titles, identify broad areas of both forces and support:

(1) Program 1 - Strategic Forces.

(2) Program 2 - General Purpose Forces.

(3) Program 3 - Intelligence and Communications.

(4) Program 4 - Airlift and Sealift.

(5) Program 5 - Guard and Reserve Forces.

(6) Program 6 - Research and Development

(7) Program 7 - Central Supply and Maintenance.

(8) Program 8 - Training, Medical, and Other General Personnel Activities.

(9) Program 9 - Administrative and Associated Activities.

(10) Program 10 - Support of Other Nations.

2-5. ELEMENTS OF EXPENSE. An element of expense reflects the nature of the goods or services being procured, or performed, as distinguished from the budget program for which obligations are incurred. Examples are civilian labor, temporary duty, rents, and contractual services. The Army accounting system records these expenses against the designated program of the Army Management Structure. Elements of expense categories commonly used at the installation level are identified in figure 2-2.

2-6. INSTALLATION FUNDS. The authority to use certain funds is provided by regulation or by a funding document. In the case of military pay, for example, the use of the Military Personnel, Army appropriation is administered under an open allotment system as authorized Army-wide by AR 37-100-XX (The Army Management Structure)(i.e., PCS travel, separation allowance, etc.). If not authorized by regulation, then the authority to use an appropriation must be provided on a funding document. This is referred to as receiving an allotment of funds. Figure 2-3 illustrates that an installation may receive more than one allotment from different funding sources. These are called "specific allotments." The responsibilities connected with the receipt of an allotment are discussed in chapter 3.

ELEMENTS OF EXPENSE CATEGORIES

	EXPENSE CATEG
[illegible] (e.g. [illegible] civilian labor)	110[illegible]
[illegible] (Employer contribution to Life Insurance (FEGLI), etc.)	1[illegible]
[illegible] (Per diem, transportation expenses, etc.)	11[illegible]
[illegible] (Government bills for labor, supplies, etc.)	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

(See Chapter 2, AR 37-100, for details)

Figure 1-2

COMMAND FUNDING
EXAMPLE

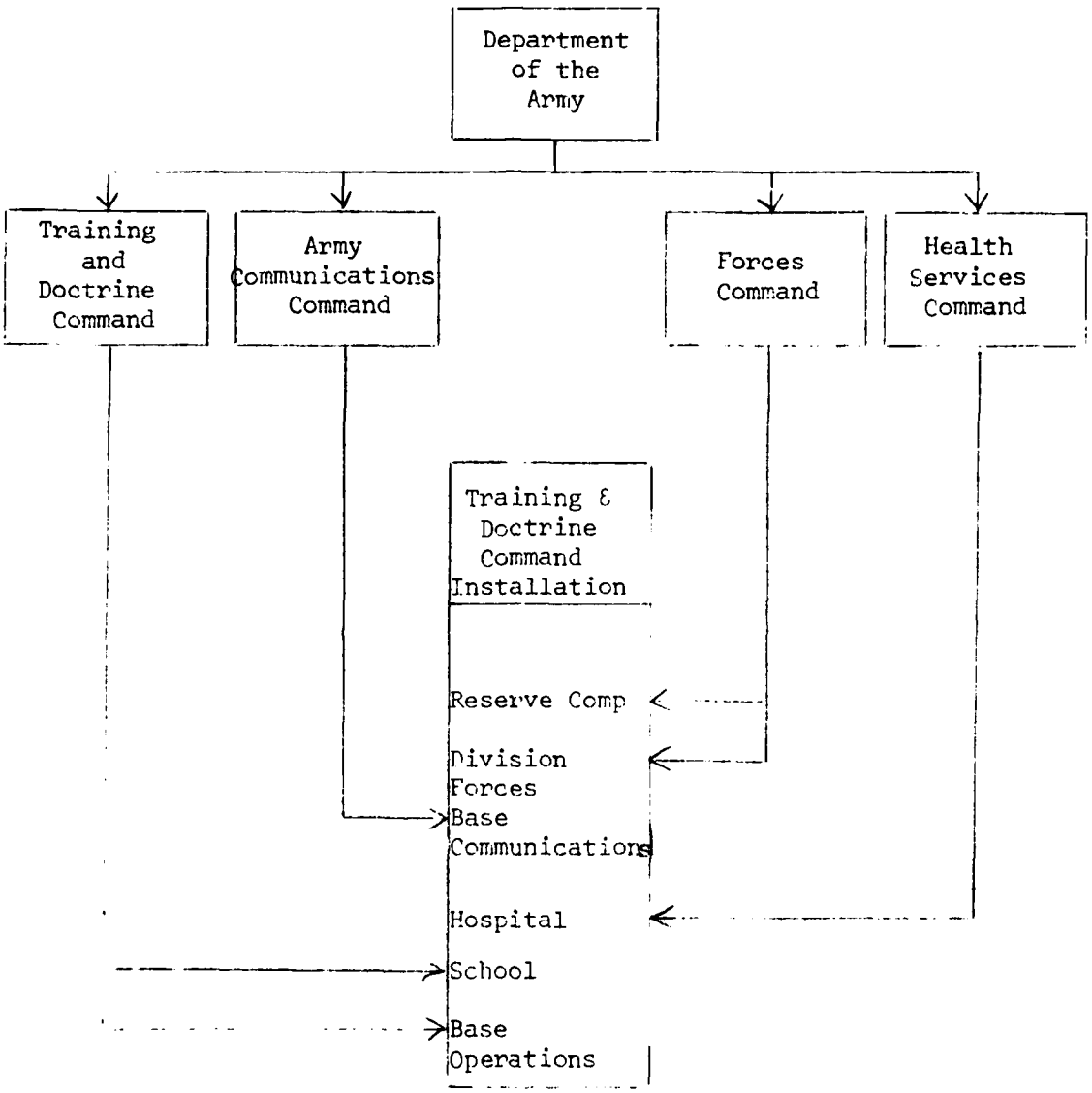


Figure 2-3

Chapter 3

CONTROL OF FINANCIAL RESOURCES

SECTION I. INTRODUCTION

3-1. GENERAL. This chapter discusses current principles, rules, and philosophies for preventing violations of laws and directives. While commanders may delegate authority for controlling "funds," they retain responsibility for insuring that procedures are established and maintained which will prevent the violation of laws and directives.

3-2. AIDS FOR CONTROLLING. An understanding of the material in this chapter and thoughtful application of the checklist at the end of this chapter will help the commander carry out his financial responsibility more effectively. The checklist can be used to insure that critical questions are resolved to the commander's satisfaction as local procedures are developed. A set of simplified, informal formats by which the commander can monitor the execution of the budget follows the checklist (fig. 3-6, 3-7, and 3-8 at end of chapter).

SECTION II. FUND DISTRIBUTION

3-3. CONCEPT OF FUND DISTRIBUTION.

a. The use of the term "funds" implies that authority to create obligations against the US Government has been granted. An obligation is an action that will really bind the Government to pay a known or estimated amount. Distribution of funds is any documented action that makes funds available for obligation. This distribution is made in a stated amount for specific purposes and to a specific organization.

b. The commander's authority to incur obligations will be received on a Funding Authorization Document (FAD) specifying the appropriation and budget programs for which the funds may be used and imposing both administrative and legal restrictions and limitations. This process is used to facilitate control over funds and the reporting of violations of laws and directives.

3-4. BASIC POLICIES OF FUND DISTRIBUTION.

a. Although distribution of funds is a means of controlling obligations and fixing responsibility, the policy is to minimize the formal distribution and finance an operation at the highest practicable level. The Military Personnel, Army, appropriation, for example, is held and controlled centrally at HQDA. The Operation and Maintenance, Army appropriation, on the other hand, by necessity, is formally distributed through the major commands to their installations and decentralized for control.

b. To achieve the Army's objective of integrating programing, budgeting, and financial control in one financial management system, the principal responsibilities for financial control must be decentralized and aligned with management responsibilities. At installations this requires maximum decentralization

of financial controls to major activity, activity, or possible subactivity directors.

c. Financial restrictions, administrative limitations, and operating expense targets within which activities and subactivities must operate will be established by the installation commander. They will provide the foundation for installation resource control. The trend toward more numerous and complex programs emphasizes the need for effective decentralization of financial controls. Most of the limitations found on the FAD can be controlled only by the activities responsible for initiating actions that result in the consumption of resources.

d. Expense limitations are dollar amounts established at the installation to insure compliance with restrictions on funding authorization documents and program objectives prescribed by higher headquarters. They will serve, along with procurement programs, as the mechanism for expressing the level at which each activity will be financed. These limitations will be established at the highest level practical, thus allowing maximum flexibility and authority for activity and subactivity directors to administer their portions of the current operating programs.

e. Although expense limitations will be used, they should not be employed in such a manner as to increase the number of fund subdivisions subject to RS 3679. They should be issued as operating expense targets. However, emphasis should be placed on the fact that major activity, activity or subactivity directors should not exceed those targets. A target, in itself, does not constitute a fund limitation under AR 37-20 (Administrative Control of Appropriated Funds). Each operating official should recognize that exceeding that target may result in an overobligation at the appropriation level or of the total included in the funding document, either of which would be a violation of RS 3679 and/or AR 37-20.

SECTION III. ANTIDEFICIENCY ACT

3-5. GENERAL.

a. Purpose. The commander who receives a funding document authorizing him to incur obligations is at that moment subject to AR 37-20, the Army's implementation of RS 3679. RS 3679 prohibits any officer or employee from authorizing obligations, disbursements, or further distribution in excess of the amount of funds made available to him. This provision is enforced by severe penalties, which include suspension; removal from office; or, if done knowingly, a $5,000 fine and/or imprisonment for not more than 2 years. At figures 3-1 and 3-2 are the salient provisions of RS 3679 and what constitutes a violation according to AR 37-20. The content of RS 3679, DODI 7200.1, and DA implementing instructions are published in AR 37-20. All officers and employees who are authorized to control funds and cause obligations to be incurred must be thoroughly acquainted with AR 37-20.

b. Prevention. It behooves the commander to call upon both internal and external audit and review capabilities to insure that his command's procedures are timely and accurate. This is done by:

(1) Directing major activity directors to review obligations for validity at least monthly.

(2) Establishing clear lines of authority and responsibility.

(3) Arranging for financial audits by the installation's internal review auditors.

(4) Insuring positive response and follow-up to audit, assistance, and inspection findings from such agencies as the Army Audit Agency, the US Army Finance and Accounting Center,and major command headquarters.

PROVISIONS OF SECTION 3679, REVISED STATUTES

1. Forbids any officer or employee of the Government from making or authorizing an obligation in excess of the amount available in an appropriation or in excess of the amount permitted by agency regulations.

2. Provides a penalty for a violation: The person who caused the violation may be subject to discipline, to include suspension without pay or removal from office. If action is done knowingly and willfully, the person may be fined up to $5000, imprisoned for not more than 2 years, or both.

3. Forbids involving the Government in any contract or obligation to pay money in advance of appropriations.

4. Requires apportionment by months, quarters, or other regular periods; by activities or functions; or combination of both methods.

5. Stipulates that the head of each agency will issue regulations setting up a system of administrative controls designed to do two things: first, to keep obligations within the amount of apportionment; and second, to enable the agency to fix responsibility for making obligations in excess of the apportionment.

THE ARMY'S IMPLEMENTING REGULATION IS AR 37-20

Figure 3-1

VIOLATIONS OF RS 3679
A VIOLATION WILL OCCUR:

1. When any action results in an overdistribution, overobligation, or overexpenditure of funds in any appropriation or subdivision thereof or exceeds any statutory or administrative limitation that may be applied in conjunction with a particular fund.
2. When any officer, enlisted person, or civilian involves the Government in a contract or obligation either in advance of appropriations or without adequate funding authority.
3. When obligations or expenditures are in excess of the Annual Funding Program plus reimbursable orders.
4. When an accounting, clerical, recording, or reporting error leads to an actual overobligation or overexpenditure.
5. When trying to avoid an overobligation or overexpenditure by failure to post to accounting records; by a delay in posting until funds are received; by not properly charging the appropriated fund; or by transferring charges or funds between accounts.
6. When a withdrawal of funds is in excess of available balances. The person who authorized or directed the withdrawal will be held responsible for the violation.
7. When funds are exceeded because of inaccurate estimates of obligations or failure to reserve sufficient funds to cover contingencies.

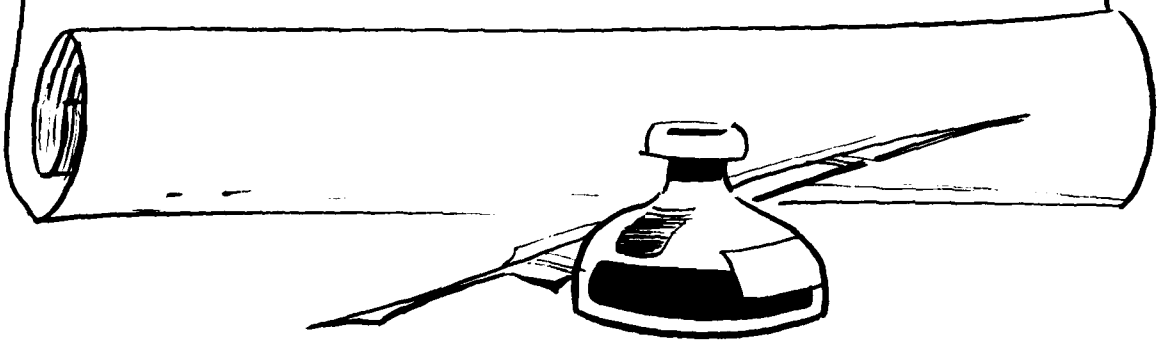


Figure 3-2

SECTION IV. REAL TIME AUDIT AND REVIEW

3-6. GENERAL. A financial management philosophy is illustrated in figure 3-3. The philosophy simply states that, during the period of execution of any financial program, all personnel involved in the execution of that program will recognize and perform their duties in a prudent manner. It is not a job solely for auditors; it is the responsibility of all managers.

a. Real Time Audit and Review is ultimately the responsibility of the commander and his principal advisor for financial management, the comptroller. They are supported in their responsibilities by the seven control elements shown in figure 3-3.

b. The proponent is the basic operator of a function, whose action or inaction may result in financial management problems. The proponent could be the personnel officer, the supply officer, the engineer, or similar officials charged with management responsibilities. The program director is, in most cases, the proponent's supervisor and he must actively review periodic reports on the proponent's accomplishments for timeliness, fulfillment of programed objectives, and adherence to prescribed directives and policies. When there are shortcomings in these areas, the program director is responsible for investigating, either directly with the proponent or with the finance and accounting officer. Sometimes deficiencies in a program director's supervision and lack of awareness of financial controls by the proponent combine to create serious problems that can result in RS 3679 violations.

c. The commander has a financial management "troubleshooter" on his own staff to whom he can turn to for review of appropriated fund areas in which problems exist or are anticipated and to audit nonappropriated fund organizations. This troubleshooting function is provided by Internal Review (IR), a staff composed of trained auditors. Maximum use should be made of IR surveys, reviews, and audits in all financial areas on the installation. IR staffs can assist in the evaluation of newly developed systems, financial and otherwise, and determine the adequacy of internal controls. Audits should provide a complete analysis of findings, including their expected impact on current operations.

d. The finance office has its own audit staff in the form of the Quality Assurance Section. Up until the present thrust in financial management, the Quality Assurance Section had been understaffed and had devoted much of its effort to military pay. Now, comptrollers are being asked to upgrade quality assurance and direct its efforts into the difficult area of accounting, where they could be used to review financial reporting and unliquidated obligations.

e. External to the installation are the Army Audit Agency (USAAA) and DA accounting assistance teams from the US Army Finance and Accounting Center (USAFAC) and major commands. It was the USAAA under the direction of the Assistant Secretary of the Army for Financial Management, that brought to light the massive problems in the customer order program. The USAAA has also switched its emphasis from weapons systems audits to financial audits. The Army plans to operate a balanced audit program contingent upon management and user needs.

The USAAA will provide audit assistance to installation commanders in the form of Commander' Request Audits (reference para 14b, AR 36-5 (Auditing Service in the Department of the Army)). Installations may request this assistance directly from the AAA District Office responsible for their geographical area. These district offices are identified in the appendix to AR 36-5. Department of the Army Finance and Accounting Assistance teams from the USAFAC make recurring visits to assist the installation in all aspects of finance and accounting operations to include nonappropriated fund accounting. The report of findings, recommendations and detailed checklists are furnished to the MACOMs and installations for use in their Financial Management Improvement Program. Since these are solely assistance visits, no response is required.

f. Last in the Real Time Audit and Review scheme of control is the responsibility of the Inspector General (IG) to take a hard look at how all elements on the installation conduct financial management.

g. The Installation is not without financial defenses under the concept of Real Time Audit and Review. Besides being able to seek the advice of the comptroller, the resourceful commander can look to responsible elements from the proponent to the IG to function in an active review system.

FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM
REAL TIME AUDIT AND REVIEW

Figure 3-3

SECTION V. FUND CONTROL

3-7. RESPONSIBILITY OF THE MAJOR ACTIVITY DIRECTORS. As mentioned in section II, after the quarterly receipt of funds at the installation, the issuance of budgetary allowances or targets to the major activity directors charges them with the following responsibilities:

a. Certifying that funds are available when initiating a financial transaction. Before an obligation of funds can be incurred, there must be sufficient funds to cover the obligation. Under decentralized fund control, a major activity director who is issued a target would be given written fund certification authority. However, there may be times when, for reasons of very tight control, the certification responsibility is centralized. This could occur for a particular expense with a severe restriction. The main idea is to fix responsibility for insuring that the obligation authority is not exceeded. This is the first important step in fund control. Before an official, such as the contracting officer, can proceed with letting a contract, he must receive from his major activity director a purchase request certifying that funds have been made available. It is imperative then that the person charged with certification authority knows the balance of his available funds.

b. Knowing and verifying the status of unliquidated obligations. Unliquidated obligations are obligations incurred as a result of issue of a supply item by the stock fund or ordering a service, but for which payment has not been made. The emphasis on decentralized control must be accompanied by an increased emphasis on the prompt and accurate recording of obligations. Following this is the review of unliquidated obligations--accomplished by a direct and open communication between the finance and accounting office and the major activity. The finance and accounting officer does not have authority to unilaterally make an adjustment affecting funds except adjustments resulting from processing disbursement vouchers, he must have an action document from the activity. The accounting records are the source from which the management data are derived, but verification of the unliquidated obligations is accomplished by the activity. The recording of obligations requires supporting documentation and is subject to laws and rules which vary by type of expense. Anyone authorizing or reviewing obligations must know these rules because the point in time and the amount to be recorded must conform to the rules. As an example, an obligation for TDY is recorded with an estimated amount and then must be adjusted to equal the actual amount of per diem and travel allowance computed at time of settlement. This process is simple enough until the travel is cancelled and the finance office is not notified, or until a traveler fails to file a claim for reimbursement. Verification by both the finance and accounting office and the major activity is necessary to insure that funds are both available and controlled. AR 37-108 requires that unliquidated obligations by reviewed each 4 months. The Internal Review Division, Comptroller Office, may assist in this validation process for obligations.

SECTION VI. REIMBURSEMENT PROGRAMS

3-8. GENERAL. Financial programs at an installation will also involve providing support in terms of goods and services to individuals, certain activities, and tenant organizations. Some of this support is provided on a reimbursable basis, which means that although the support is initially provided using mission funds, the customer will reimburse the installation through a billing procedure. This section will explain the fundamentals of reimbursement programs at an installation, the impact of those programs on the total obligation authority, and the methods for financing a remote activity.

3-9. FINANCIAL AUTHORIZATIONS. The authority to provide goods and services on a reimbursable basis must be included on the funding document received at an installation. There are two types of reimbursements (automatic and funded). Automatic reimbursements are reimbursements to appropriated funds that are budgeted, controlled, and accounted for at the level of performance--normally the installation. Funded reimbursements are those controlled at higher levels even though the installation provides the support. Figure 3-4 depicts the types of financial authorizations that are available to the installation.

TYPES OF FINANCIAL AUTHORIZATIONS

FOR MISSION ACTIVITIES, NON-MISSION ACTIVITIES, AND BASE SERVICES. DOLLAR AMOUNT RECEIVED QUARTERLY. IMMEDIATELY AVAILABLE FOR OBLIGATION.

DIRECT OBLIGATION AUTHORITY

FOR SPECIFIED ACTIVITIES. REIMBURSEMENT CONTROLLED BY DEPT ARMY. DOLLAR AMOUNT RECEIVED QUARTERLY, BUT PLACED IN A RESERVE ACCOUNT PENDING RECEIPT OF AN ORDER.

FUNDED REIMBURSEMENT AUTHORITY

CONSTITUTES ALLOTMENT RECEIVED BY INSTALLATION

TEMPORARY FINANCING SUPPORT TO INDIVIDUALS OR TENANT ACTIVITIES. NO DOLLAR AMOUNT IS [illegible]

AUTHORITY IS "GENERATED" BASED ON RECEIPT OF AN ORDER.

AUTOMATIC REIMBURSEMENT AUTHORITY

ALLOWS ALLOTMENT TO BE INCREASED BY AMOUNT OF ORDERS RECEIVED

TOTAL FINANCIAL AUTHORIZATION AVAILABLE TO THE INSTALLATION

Figure 3-4

3-10. FUNCTION OF REIMBURSEMENT PROGRAMS. The authorization for funded and automatic reimbursements, in essence, constitutes additional resources that are available to preclude "borrowing" from direct mission funds to finance the cost of goods and services provided to reimbursable activities. The reimbursement program allows the installation to increase its funds available for obligation for specific purposes. The control procedures for direct funds, discussed in chapter 5, apply to those additional funds generated at the installation through the reimbursement program as well.

3-11. IMPACT ON OBLIGATION AUTHORITY. To increase the total funds available for obligation legally, there must be a documented reimbursable order from a "customer." The amount of the order received and then earned (actual delivery of supply or services) is the amount that the installation's total obligation authority may be increased. Since the order is normally an estimate, the cost of goods or services provided is accumulated to determine the actual amount earned. The estimated amount must be adjusted to equal the actual amount earned, which is the earned reimbursement. Failure to do so could cause the balance of available funds to be overstated, which in turn could lead to an overobligation. Documented cases exist in which this very point was the cause of a violation of RS 3679. As an aid to understanding how the operation of the reimbursement programs will increase total obligation authority, figure 3-5 illustrates that certain steps must be followed and certain states exist.

3-12. FUNDED REIMBURSEMENT ACTIVITIES. A funded reimbursement activity is one in which the revenues produced are collected by a DA agency, or DOD agency, in the case of Foreign Military Sales, for reimbursements to DA. Therefore, funds are received back at the installation to sustain the operations of that activity. Examples of funded reimbursement activities are:

a. Timber harvesting.

b. Services or supplies furnished forces or individuals of foreign government for which collections are not made locally.

c. Laundry and drycleaning services furnished to individuals for which the collection is deducted from the service member's pay.

3-13. AUTOMATIC REIMBURSEMENT ACTIVITIES. An automatic reimbursement activity is one in which the revenue earned by that activity is collected by the installation. Examples of automatic reimbursement activities are:

a. Laundry and drycleaning services furnished to individuals on a cash collection basis.

b. Medical services furnished to certain authorized patients.

c. Services provided to tenant or satellite activities that are financed by another appropriation.

STAGES OF REIMBURSEMENTS

Stage	Funded Program	Automatic Program
Authority Received (Funding document)	Dollar amount received on funding document placed in a reserve account represents temporary financing by HQDA for support of certain activities.	General statement on funding document allows the installation to temporarily finance the cost of goods or services sold.
Order Received (i.e., DA 2544, ISSA, DF) (Available funds increased)	Based on an estimate of reimbursable expense, that amount will decrease the reserve account and increase the funds available for obligation.	Based on an estimate of revenues, that amount is used to "generate" funds to increase funds available for obligation.
Earned Reimbursement (i.e., expense listing) (Establishes actual amount)	Based on accumulated data, the actual amount of reimbursable support provided.	Based on accumulated data, the actual amount of sales is determined.

CAUTION: Failure to adjust Orders Received (estimate) to Earned Reimbursement (actual) could cause an overobligated status, hence a violation of RS 3679.

Collection	Offsets the temporary financing by HQDA.	Offsets the temporary financing by the installation.

Figure 3-[illegible]

SECTION VII. FINANCING REMOTE ACTIVITIES

3-14. GENERAL. Often an installation requires funds to finance a unit or activity that is not located at the installation. Even though distance separates the two and the remote activity depends on another installation for support, the home installation has operational control and the responsibility of financing the operating expenses of the remote activity.

3-15. CONTROL.

a. Distance becomes a critical factor because it increases the time needed to record and maintain the accurate status of obligations incurred on behalf of a remote activity. Basically, there are four methods that may be employed to provide financial support. The one selected must provide the best support for the given situation. These four methods are as follows:

(1) Direct fund cite. This authorizes a supporting installation to cite the home installation's funds on a document or contract, usually not to exceed a specific amount. It is considered to be an expedient method for one-time transactions but, because of minimal documentation, is not conducive to good fund control.

(2) Advice of obligation authority (AOA). This authorizes a supporting installation, the remote activity, or an individual to obligate the home installation's funds during a specific period, not to exceed a specific cumulative amount. The purpose for which issued must be specified along with the time period and the total dollar amount. The dollar amount specified on the AOA is a ceiling subject to the provisions of PL 3679.

(3) Suballotment. This transfers a portion of the home installation's funds to the supporting installation. This decreases the home installation's obligation authority and, in essence, removes the home installation from the direct management of those funds.

(4) Reimbursable order. This is a request for services based on a firm agreement between two installations. The supporting installation will use its funds to provide services to the remote activity-(up to the amount stated on the reimbursable order)-and then "bill" the home installation.

b. Common and critical to all of the above procedures is the requirement that the method selected for controlling funds must be specified in writing and signed by the specific responsible fund control officers at both the home and remote stations.

[illegible]

FINANCIAL CONTROL
CHECKLIST

To Whom Addressed		
Major Activity Director (MAD)	1.	How do you insure that your personnel are familiar with the various levels at which appropriated funds constraints are imposed? What action must be taken when total fund authorizations are less than total budget requirements?
Compt	2.	Do you require all personnel involved in funds distribution, control, or certification to read AR 37-20, and AR 37-21 annually?
Compt	3.	How has the responsibility for fund control been defined--by individual or position?
Compt	4.	What is the orientation program for an individual newly appointed to a position of fund control?
MAD	5.	What individuals are identified to certify fund availability before authorizing an obligation?
Compt	6.	What key financial management indicators are included in the command review and analysis? Do the major activity directors present their portions?
Compt	7.	Who has overall responsibility for administrative control of funds at the installation? Has the responsibility been delegated in writing?
Compt	8.	How do you specify that major activity directors will not exceed their allowances or targets without prior approval? What action must be taken when allowances or targets are insufficient?
Compt	9.	What local directive establishes financial control? Does it require the timely processing and recording of financial data?
MAD FAO	10.	How are recorded obligations being reviewed to insure validity?
MAD	11.	How is an obligation authority affected by reimbursement programs?
Compt	12.	What is Internal Review doing to insure compliance with regulations, directives, ceilings, floors, or other limitations?
Compt MAD	13.	How are the commander's financial management objectives defined and given priority?
Compt MAD	14.	Is economic analysis and program evaluation being used as an aid to decisionmaking? (See chapter 12, para 12-5).

COMMANDERS REAL TIME BUDGET EXECUTION REVIEW GUIDE
(EXAMPLE)

APPROPRIATION _____
PROGRAM _____ ($000)
ACTIVITY _____

ANNUAL PROGRAM

MONTH	TOTAL FUNDED PROGRAM	SALARIES		SUPPLIES	EQUIPMENT	CONTRACTUAL SERVICES	UNFINANCED REQUIREMENTS
		DOLLAR	MAN MONTHS				
TOTAL FY							
OCT							
NOV							
DEC							
JAN							
FEB							
MAR							
APR							
MAY							
JUN							
JUL							
AUG							
SEP							

Figure 3-6

COMMANDERS REAL TIME BUDGET EXECUTION REVIEW GUIDE
(EXAMPLE)

OBLIGATION ANALYSIS
PROGRAM vs ACTUAL
($ 000)

ANNUAL STRAIGHTLINE _____%

As of _____

APPROPRIATION/PROGRAM

ELEMENT OF EXPENSE	PROGRAM		OBLIGATIONS		%
	ANNUAL	TO DATE	ACTUAL	DEVIATION	ANNUAL

Figure 5-7

COMMANDERS REAL TIME BUDGET EXECUTION REVIEW GUIDE
(EXAMPLE)

PROGRAM ANALYSIS

_____

AS OF _____

APPROPRIATION/PROGRAM _____ ANNUAL PROGRAM ($ 000) _____

ELEMENT OF EXPENSE	ANNUAL FUNDED PROGRAM	AVERAGE (1) ACTUAL COST OCT-APR	PROGRAM (2)			AVERAGE (3)	OVER/ SHORT (4)
			MAY	JUN	JUL	AUG/SEP	
TOTAL							
SALARIES							
MAN MONTHS							
OVERTIME							
AVG SAL/PERSON/DAY							
SUPPLIES							
EXPENDABLE							
EQUIPMENT							
CONTRACTUAL SERVICES							
TDY							

(1) Average actual cost from the beginning of the Fiscal Year to the date of the analysis.
(2) Projected program for the 3 months following the date of the analysis.
(3) Projected program for the remainder of the fiscal year.
(4) Annual Funded Program less amounts entered at (1), (2) and (3).

Figure 3-8

Chapter 4

INSTALLATION OPERATING FUNDS

4-1. GENERAL.

a. Without a doubt, a major challenge which [illegible] must [illegible] face is the accomplishment of missions within the [illegible] budget. One of the problems with financial resources, [illegible] is that there are many limitations and restrictions attached to the use of appropriated funds. We cannot use funds for a specific appropriation for other than the stated purpose; we cannot exceed fiscal ceilings; we cannot shift funds between major programs without specific approval; we are limited in the dollar amount that may be spent on maintenance and repair for a given [illegible] government quarters; and so on. Even though the functional managers and financial management experts at an installation [illegible] are aware of the various restrictions and limitations, many violations still occur. The management of financial resources at the installation level requires constant vigil and technical expertise. Figures 4-1, 4-2 and 4-3 illustrate the problem and highlight the need for command emphasis.

REPORTED RS 3679 VIOLATIONS
(FY 75 through 80)

FY	TOTAL REPORTED	ADJUDICATED VIOLATIONS	NON-VIOLATIONS	PENDING
75	28	15	13	0
76	63	27	34	2
77	78	21	56	1
78	20	13	6	1
79	13	8	5	0
80	15	3	7	5
TOTALS	217	87	121	9

Figure 4-1

TYPES OF REPORTED RS 3679 VIOLATIONS
(FY 75 through 80)

	VIOLATIONS	NON-VIOLATIONS	PENDING
Minor Construction Limitations	12	25	1
Family Housing Limitation	14	22	1
Exceeding Subdivision of Funds	53	70	7
Incorrect Use of Appropriated Funds	3	3	0
Improper Recording of Customer Orders	5	1	0
Totals	87	121	9

Figure 4-2

CONTRIBUTING FACTORS
MINOR CONSTRUCTION LIMITATION VIOLATIONS

1. Deviation from the normal project control procedures:

   a. Fragmentation of projects.

   b. Short-cut chain of command approval.

   c. Accomplish design during or after actual construction.

   d. After the fact recording of project costs.

   e. Misclassification of costs.

2. Dual source of funding for a single project:

   a. Combining Operations and Maintenance, Army (OMA) and Military Construction, Army (MCA) funds.

   b. Use of both appropriated and nonappropriated funds.

3. Failure to fund equipment maintenance costs when troop labor is used.

4. Lack of knowledge of the various limitations.

5. Command influence.

Figure 4-3

b. This chapter explains the purpose of the two operating Appropriations at installations and points out areas where restrictions or other directives should be noted.

4-2. OPERATION AND MAINTENANCE, ARMY (OMA) AND OPERATION AND MAINTENANCE, ARMY RESERVE (OMAR).

a. Purpose. The OMA and OMAR appropriations are for the operation and maintenance of all organizational equipment and facilities of the Army; procurement of requisite equipment and supplies; production of audio-visual instructional materials and training aids; operation of service-wide and establishment-wide activities; medical activities; and operations of depots, schools, training, recruiting, and programs relating to the operation and maintenance of the Army. They also include welfare and morale, information, education, religious activities and expenses of courts, boards, and commissions.

b. General restrictions.

(1) Obligation authority is received on a Funding Authorization Document (DA Form 1323) and the annual ceilings are subject to RS 3679 at the appropriation level.

(2) [illegible] will be specified [illegible].

(3) [illegible] prohibited.

(4) [illegible] for minor construction [illegible] limitations [illegible].

(5) [illegible] for maintaining [illegible] facilities.

(6) [illegible] equipment is [illegible] limitations outlined in [illegible].

4-4. [illegible] (OMA).

a. [illegible] :

(1) [illegible] operating family housing offices at the installation level; [illegible], handling, storage, maintenance, repair, and replacement [illegible] for family housing.

(2) Utility services, except telephone service. It also includes administrative and general support type services provided by the installation. In addition it includes the maintenance and repair of buildings, roads, driveways, walks, exterior and interior utility systems, and grounds as well as fixtures and equipment that are integral components of a housing unit.

b. General restrictions.

(1) Obligation authority is received on a Funding Authorization Document (DA Form 1323), and the ceilings are subject to RS 3679.

(2) The amount for operation and the amount for maintenance are specified.

(3) Alterations and additions (incidental improvements) must be performed under authority of Section 2674 of Title 10, United States Code. (Discussed in Chapter 8 of this book.)

(4) Maintenance and utilities furnished by the Director of Engineering and Housing will initially be financed by the OMA appropriation. This is done by using a reimbursable order.

Chapter 5

DIRECTORATE OPERATIONS

5-1. GENERAL. The majority of the installations throughout the Army are organized with a directorate staff. These mission directorates also serve as major activity directorates, and in most cases, are referred to as program directorates. The position of director carries the responsibility for direct involvement in the financial management of the installation. Typical major activity directorates are Personnel and Community Activities; Training, Plans, and Security; Industrial Operations; Engineering and Housing; Communications-Electronics; Medical Activities; and Reserve Components (where applicable).

5-2. DIRECTORS OF FINANCIAL MANAGEMENT FUNCTIONS. Each major activity director has two distinctly different but clearly related financial management roles: first, as a program manager for the specific subordinate organizations shown in figure 5-1; and second, as a member of the installation Program Budget Advisory Committee.

a. As an installation financial manager the director's role is that of coordinating the subordinate organizations under his financial management control. He does this by direct and total involvement in the two major areas of financial management--budget formulation and budget execution.

(1) Budget formulation. This is a highly technical, strictly time-controlled process that begins with the director's receipt of budget and manpower guidance from the installation comptroller. Each activity within the directorate applies this guidance to its own specific projected work requirements. Those requirements can then be expressed as an annual plan in terms of the amount of money that will be needed to carry out the plan. The director is then responsible for combining all of his activity plans into a budget for his entire area of responsibility. Many of the technicalities of budget formulation (such as floors, limitations, and targets, which are designed to guide the spending in certain critical areas) are beyong the scope of this chapter.

(2) Budget Execution.

(a) Major activity directors are responsible for executing, reviewing, and analyzing budget programs and program elements for which they have been assigned staff responsibility, and for supervising operations to accomplish the projected workload and scheduled actions. Major activity directors must recognize that their activity chiefs will require policy guidance to determine the priorities for using available funds. A vital part of this budget execution process is quick reaction by the major activity director when additional funds are going to be required for mission accomplishment or excess funds are becoming available for reprograming or withdrawal by the installation comptroller. The major activity director must provide prompt notification to the installation comptroller in such cases.

(b) The significant financial management functions of budget execution are accomplished by applying the following techniques:

1. Translating the mission to specific objectives. The evaluation of installation activities should be related to the major mission of the installation. For example, the mission of most installations may involve:

a. Basic, advanced, and specialist training of individuals.

b. Unit training of divisional, nondivisional, and supporting elements of the Army.

c. Unit participation in field exercises, tests, and maneuvers.

d. Support of the Reserve components.

(The operation and maintenance of facilities comprise a large part of the activities of most installations. These activities should be reviewed in light of their relationships to the major mission they support.)

2. Measuring accomplishments against objectives. Reviews and analyses become more meaningful when accomplishments are measured against previously determined objectives. Those objectives may be expressed in a wide variety of ways, such as mission goals, operating programs, schedules, forecasts, estimates, targets, and ceilings. Performance may also be measured against such criteria as standards, factors, rates, ratios, yardsticks, and other units for measuring the actual accomplishment against predetermined objectives.

a. Analysis of deviations. The evaluation of accomplishment against objective assumes added significance when reported variations from objectives are supported by analyses of the causes of deviations beyond established tolerances. (Why did the deviations occur?) The explanation of these deviations may reflect on the soundness of plans and programs rather than on the effectiveness of accomplishment. It may indicate that the objectives were unattainable, that the resources allocated were inadequate; or that unforeseen circumstances, such as the assignment of unprogramed and unbudgeted activities, affected both missions and accomplishment. It may reveal that shortfalls resulted from ineffective use of the resources provided in support of missions. It may demonstrate that the criteria for measuring performance against a predetermined standard is unrealistic and requires revision. It may indicate long-range trends or developing patterns, or it may reflect seasonal variations or particular circumstances that have occurred.

b. Evaluation of impacts. The review and analysis function assumes its full value as a management tool only when cause and effect evaluations enable the commander to use it as a basis for command management decisions.

c. Statement of problems. The reasons for deviations and their impacts on accomplishment of missions (the cause and effect approach) should result in clearly stated problems. A clearly stated problem stimulates a clean-cut decision. The statement of a problem should indicate clearly whether it is susceptible to corrective action at installation level, whether action is required at a higher level of authority, or whether the installation must learn to live with the problem.

d. Indication of corrective actions. The review and analysis should indicate the actions which have been taken, will be taken, or should be taken to solve the problems that are susceptible to corrective action. If a command decision is required for corrective action at the installation level or for referral of a problem to higher authority, the review and analysis should initiate that type of action.

3. Trend analysis. There are circumstances in which a trend analysis of past performance provides the most practical and meaningful evaluation of accomplishment in lieu of a comparison with predetermined objectives.

4. Management by exception. The universe of installation activities is ordinarily too large and detailed to warrant complete coverage in a periodic review and analysis. The "management by exception" technique must, therefore, be used in the review and analysis to highlight only those activities in which there have been major accomplishments, significant deviations, exceptional situations, critical problems, or important actions that have a direct bearing on the execution of the missions of the installation.

5. Communicating the results. Directors must be ready to channel the results of their continuing review and analysis efforts into the many staff meetings, briefings, publications, staff papers, and other media that provide avenues of communication between the staff and top command and management. From this viewpoint, review and analysis must be a continuous process.

b. As a member of the installation's Program Budget Advisory Committee, the director participates with all other directors in evaluating budget guidance from higher headquarters and preparing recommendations for the commander with respect to the staffing and funding of the installation. This rather structured and technical function is discussed in detail in chapter 6.

5-3. YEAR-END OPERATIONS.

a. Philosophy. A 99.9 percent obligation rate is not necessarily a viable measure of effective or efficient fund utilization. Rather, managers must use available funds realistically in support of command goals. Obligations should occur as long as valid requirements exist to a point short of overobligating. The 99.9 percent obligation rate serves as an informal bench mark of this philosophy. For example, an installation approaching year-end with a 95 percent obligation rate and an additional 3 percent valid unfinanced requirements should attempt to obligate funds to accomplished the unfinanced

requirements and then report excess funds for withdrawal by the major command. Obligating less than 99.9 percent is not a "stigma," nor does it detract from the efficiency and effectiveness of the installation, provided the missions and functions of the installation have been accomplished. Next year's fund distribution will be based strictly on the missions or functions to be accomplished, not on the obligation rate of the current year. Not obligating the valid unfinanced requirements also falls into the realm of fund mismanagement, because the command would be deprived of significant items for which it had the means to acquire.

b. Reprograming. To insure maximum obligations, reprograming actions take place. Reprograming consists of identifying areas in which funds available exceed requirements and transferring this fund excess to areas in need. Obviously, care must be exercised to insure that directed or statutory limitations are not violated and that reprograming at the installation does not occur between major programs. Reprograming can take place at the activity, major activity, and installation levels. Major commands should be notified of unused funds so that reprograming can take place at that level. However, an installation must exercise particular care before offering funds for withdrawal to its major command. Many instances have occurred in which installation accounting records were not totally up to date at the time of offering; therefore, later transactions created overobligations and RS 3679 violations.

c. Validating unliquidated obligations. Managers at all levels are responsible for insuring that obligations incurred for goods or services not yet received are still valid, justifiable requirements. Those that are no longer valid should be reported through proper channels to the installation comptroller for deobligation, withdrawal, and redistribution to other purposes for which valid needs exist. Those "freed" funds will most likely be applied to existing unfinanced requirements--such as the Backlog of Maintenance and Repair (BMAR), discussed in chapter 8.

d. Procedure. Year-end operations are centrally controlled and are characterized by quick reaction and total coordination. The comptroller is the focal point, but the major activity directors are the operators who report funds available for withdrawal, acting to use redistributed funds and warning about potential trouble areas.

5-4. RESPONSIBILITY. The major activity director has the most significant impact on whether or not his activities are supported with adequate financial resources. It is therefore imcumbent upon him to insure that his requirements are properly stated, adequately justified, and properly managed.

Chapter 6

INSTALLATION PROGRAMING AND BUDGETING

6-1. GENERAL.

a. The commander must express the installation's missions, activities and programs in terms of required resources. The Department of the Army's program-budget cycle above the installation level is a very technical, rigid and time-constrained process. This disciplined process is dictated by the need for uniformity and standardization on the part of the subordinate commands and installations as they prepare critical feeder data for presentation and evaluation in the Department of the Army and Department of Defense program-budget submission. The program-budget process is vital to the installation commander since it provides the very lifeblood to his command. Without adequate funds, the installation commander cannot acquire the personnel, goods, and services necessary for mission accomplishment. If the installation program-budget process is to have any integrity and credibility, it must be an active part of the installation commander's decisionmaking process. This chapter will address in summary terms the formal installation program-budget cycle.

b. For any particular fiscal year, the program-budget cycle involves two actions. First, the development of the installation's program for consideration by the MACOM in their Program Analysis and Resource Review (PARR) may be required; and, second, the display of the installation's approved program and request for reprograming of Budget Year funds in the Command Operating Budget (COB). These management processes are documented in great detail and in a prescribed format. However, the most vital and effective portion of the submission is the Commander's Statement that accompanies the various fiscal documents. The commander's statement must translate the detailed fiscal data into meaningful statements concerning the impact on combat effectiveness and mission accomplishment. It is of little value and has little impact when it contains such vague and meaningless comments as, "without additional funds in this account, I will be required to reduce the staffing and operating hours of the organization." Impacts should be stated in quantitative terms, if possible, indicating the specific effect that the reduced staffing and funds will have on mission tasks such as providing maintenance support to combat vehicles or critical training tests that will affect the combat readiness of the Army.

6-2. PROGRAM-BUDGET FORMULATION.

a. Program and budget documents involve several fiscal years. The first program year is the fiscal year immediately after the upcoming fiscal year. In the case of fiscal year 1981, the execution year will be from 1 October 1980 through 30 September 1981; the budget year will be from 1 October 1981 through 30 September 1982; and the first program year will be from 1 October 1982 through 30 September 1983.

(1) The Program Analysis and Resource Review (PARR), which the MACOMs submit to HQDA during January-February, indicates the missions, issues, or initiatives that the MACOMs would like to see included in the Army Program

Objective Memorandum (POM). It addresses resource levels for 5 fiscal years, beginning with the program year. If required, the installation submits its input to the MACOM PARR during the July-August timeframe.

(2) The Command Operating Budget (COB) covers three fiscal years: the current year, the upcoming budget year and the program year. The COB is an important financial document between the installation and MACOM. It consists of fiscal schedules and detailed costing/manpower justification of the installation's program. The resource levels requested in the COB reflect the levels established as a result of the PARR/POM decisions. Additional resources are not likely to be forthcoming. The COB is submitted by the installation to the MACOM in May and by the MACOMs to HQDA in July.

b. Members of the installation's Program Budget Advisory Committee (PBAC), as operating directorates, should be in the best position to make meaningful financial estimates to support their mission organizations and to provide relevant justification for the needed funds. An example of the type of information contained in the COB is shown in figure 6-1.

6-3. DEVELOPING THE INSTALLATION COMMAND OPERATING BUDGET. A typical example of development of the COB is outlined below and graphically depicted in figure 6-2. This procedure is not a regulatory process that must be followed at the installation, but is a procedure which will ensure the development of a well-coordinated operating budget that reflects the major mission directors' recommendations and the installation commander's decisions on how the financial resources will be used to accomplish the mission.

a. Step 1. COMPTROLLER. Receives Budget Manpower Guidance (BMG) from the MACOM and distributes with a minimum of delay to the Major Activity Directors (MAD). During the interim the Comptroller reviews the BMG from the Major Command and develops a time phased schedule of actions necessary for the completion of the Installation Command Operating Budget (COB).

b. Step 2. MAJOR ACTIVITY DIRECTORS. Review the BMG from the Major Command giving special attention to their area of responsibility. Prepare recommended refinements to the major command BMG and forward these recommendations to the Comptroller.

c. Step 3. COMPTROLLER. Evaluates Major Activity Directors' recommendations for refinements, makes his own recommendations and coordinates with the Major Activity Directors. In addition, the Comptroller, in coordination with the Major Activity Directors, develops the recommended dollar targets. This last action may be simultaneous with the coordination of the recommendations for refinements to the major command's BMG.

d. Step 4. COMPTROLLER. Prepares "Draft" Installation BMG Directive which includes dollar targets to be distributed to the Major Activity Directors.

e. Step 5. PROGRAM BUDGET ADVISORY COMMITTEE (PBAC). Resolves differences between the Comptroller and/or Major Activity Directors and prepares its recommended installation BMG for presentation to the commander.

f. Step 6. CHIEF OF STAFF. Presents the PBAC recommended Installation BMC to the Commander, normally in the form of an oral briefing.

g. Step 7. COMMANDER. Directs changes and/or approves the PBAC recommended Installation BMC and returns it to the Comptroller for finalization and publication.

h. Step 8. COMPTROLLER. Finalizes the "Installation" BMC, publishes and distributes to the Major Activity Directors.

i. Step 9. MAJOR ACTIVITY DIRECTORS. Break out dollar guidance to the activity level and furnish operating activities with BMC and applicable tentative targets.

j. Step 10. ACTIVITY CHIEFS. Prepare their segments of the Installation Command Operating Budget. It should be noted that in those instances where an activity is comprised of subactivities the Activity Chief may make a further breakout of the tentative targets received from the MAD. In such cases the development of the Installation Command Operating Budget begins at the sub-activity level (lowest level concept).

k. Step 11. MAJOR ACTIVITY DIRECTORS. Receive the input from each of their Activity Chiefs, along with applicable supporting schedules. Each MAD reviews, evaluates and adjusts the activity segments received, prepares a summary schedule, arranges the unfinanced requirements list and decrement list, and makes recommendations for transfer between primary programs.

l. Step 12. COMPTROLLER. Receives, reviews, evaluates and prepares his recommended actions and/or adjustments to the summary schedules, unfinanced requirements, other supporting schedules and recommended transfers between primary programs forwarded by the MAD's. The Comptroller prepares and/or completes all schedules required in the "Draft" Installation Command Operating Budget and assembles them for presentation to the PBAC.

m. Step 13. PROGRAM BUDGET ADVISORY COMMITTEE. Reviews the "Draft" Installation Command Operating Budget to insure compliance with the Budget Manpower Guidance from the major command, resolves differences among the PBAC members, makes adjustments deemed necessary and presents, by means of its chairman, its recommended Installation Command Operating Budget to the commander.

n. Step 14. COMMANDER. Approves the Installation Command Operating Budget submission as presented by the Chairman of the PBAC or directs changes, signs and returns the approved COB submission to the Comptroller for transmittal to the major command.

TYPE OF INFORMATION REQUESTED
IN THE COMMAND OPERATING BUDGET BY APPROPRIATIONS

TITLE	APPROPRIATIONS		
	OPERATIONS & MAINTENANCE, ARMY	FAMILY HOUSING	OPERATION & MAINTENANCE, ARMY RESERVE
Performance Factors--Mission Activities and Base Operations Activities	X	X	X
*Elements of Expense--By Type of Financing	X	X	X
*Type of Financing	X		X
*Civilian Man-Years by Type of Financing	X	X	X
*Civilian End Strength by Type of Financing by Type of Employment	X	X	X

*Type of Financing (direct, funded reimbursable, and automatic reimbursable)

Figure 6-1

A PROCESS OF DEVELOPING THE INSTALLATION COMMAND OPERATING BUDGET

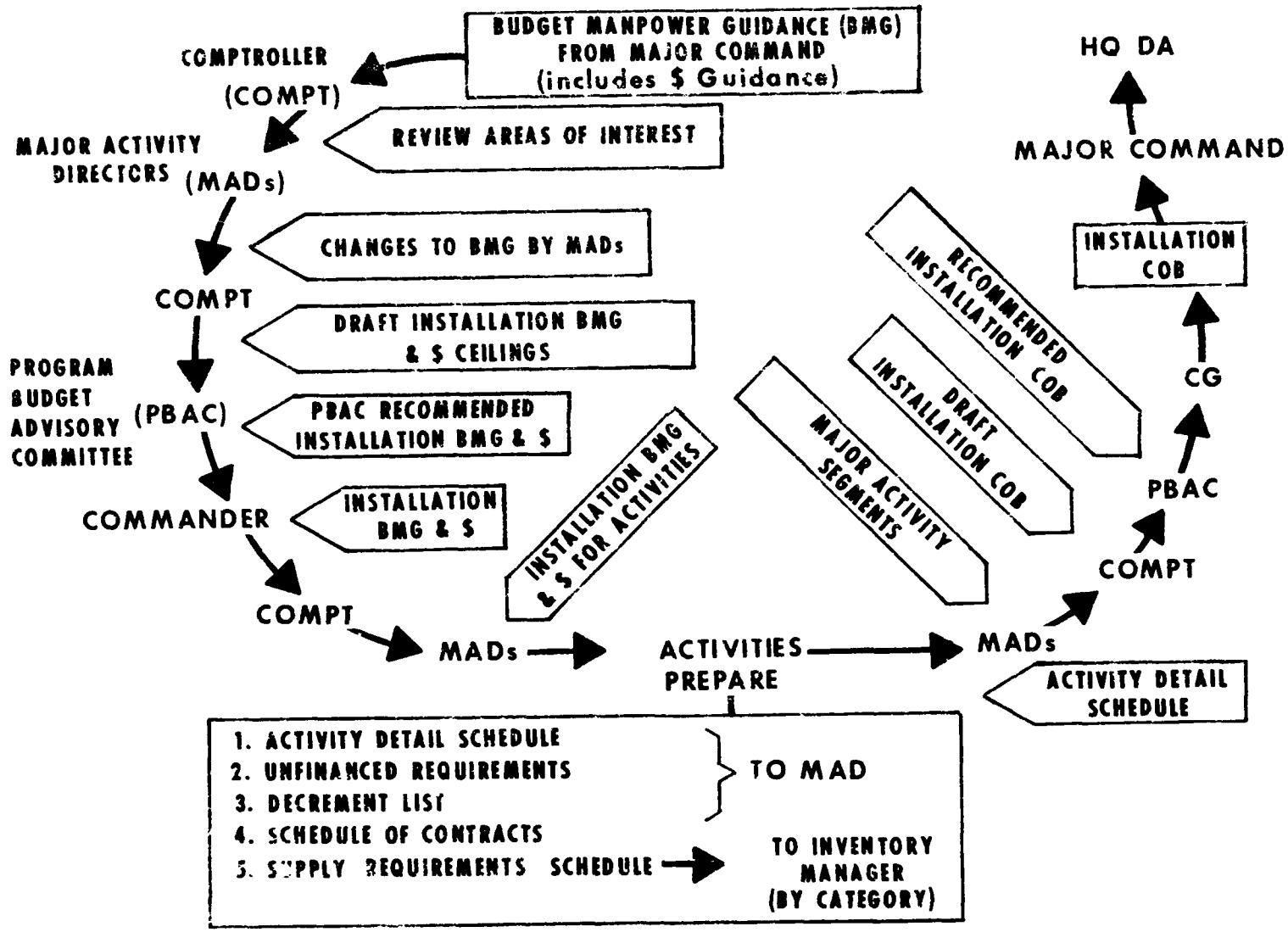


Figure 6-2

[illegible] (PBAC)
[illegible]

To Whom Addressed		
Compt	1.	[illegible] the installation commander adequately briefed on the [illegible] and fund limitations subject to law?
MAD	2.	How do [illegible] participate in the development of the installation program and [illegible]?
PBAC	3.	[illegible] commanders to program and control [illegible] effectively?
PBAC	4.	How [illegible] and address major target and financial management actions to insure [illegible]?
Compt	5.	How do major activity directors become informed about fund allocations to the installation? What is their specific role relating to fund control and prescribed limitations.
Compt	6.	How do your personnel become familiar with the various levels at which appropriated fund constraints are imposed--and with the actions necessary to change those constraints?
Compt	7.	How are financial management specialists involved in all type of planning with potential monetary impact?
C of S	8.	When was the last meeting of the PBAC? What was accomplished?
C of S	9.	Are the meetings of the PBAC only to satisfy the IG or other inspectors and auditors, or is the committee allowed to make positive contributions toward management of the installation?
Compt	10.	What recommendations are being made by the PBAC relative to the resource allocation?
C of S	11.	How does the PBAC participate in the review and analysis process? What are the committee's recommendations?
Compt	12.	Do you receive the **Program and Budget Guidance (PBG) document published by HQDA? If not, then from what level?**
Compt	13.	Are your financial management specialists experienced? If not experienced, how are they trained?
Compt PBAC MAD	14.	How does the BMG document affect all financial planning?

To Whom Addressed		
Compt MAB	15.	What work load management systems are in effect to [illegible] work load [illegible] and reporting. Are they accurate enough to use for budget purposes? If yes, are they being used for [illegible] development and/or execution? Why not?
Compt	16.	Have Schedule I requirements been submitted for each appropriation?
Compt	17.	What, precisely, is the requirement.
MAB	18.	What must the activities do [illegible] in the budget year?
MAB	19.	What will be the impact if funds are not received.
MAB	20.	Is this requirement anticipated to be a recurring or a one-time cost?
MAB	21.	Is it to be done in-house or [illegible] contract?
MAB	22.	If by contract, what potential [illegible], by type and dollar amounts, is to be provided.
MAB	23.	How was the dollar value of the item derived?
Compt	24.	Does the stated dollar amount represent a full year's cost or a partial cost?
MAB	25.	What are the work implications?
DEP	26.	Is the requirement for equipment costing over $3,000 a unit? If yes, is it an OMA/OMAR item?
DEP	27.	Is the requirement for minor construction over $100,000 per project? If yes, it must be funded with MCA/MCAR funds.
DEP	28.	Is the requirement for supplies? If yes, is stock fund obligation authority available?
Compt	29.	If the requirement relates to manpower spaces, are the manpower space allocations requested in the latest Schedule X?
C of S PBAC Compt	30.	What recommendations are being made by the Chief of Staff and the PBAC in reference to requirements?

Chapter 7

INSTALLATION FINANCIAL MANAGEMENT FOR SUPPLY OPERATIONS

7-1. GENERAL. There are two major sources from which an installation activity (the consumer) may obtain supplies and equipment.

a. Free issue or unfunded items are items of inventory issued to the installation on a nonreimbursable basis. These items are budgeted and accounted for at HQDA; funded by the procurement appropriation, and are not part of the financed resources provided the installation commander. However, accountability and responsibility for the supplies and equipment remain with the installation. Examples of free issue items are weapons, vehicles, munitions, and certain end items costing $3,000 or more.

b. Funded items of supply are purchased with the installation's operating funds. Procurement may be from local sources or from the Army Stock Fund.

(1) Normally, supply procurement actions are processed through the Army Stock Fund system. However, items such as periodicals, professional books, and decals are procured with the installation's operating funds direct from commercial sources.

(2) Procurement of all other items of supply, except those falling into the free issue category (a above) must be processed through the Army Stock Fund.

7-2. STOCK FUND CONCEPT. The purpose of the Army Stock Fund is to provide financing for the cost of supplies held in inventory until such time as the supplies are sold (issued) to installation consumer activities. The stock fund is then reimbursed from installation activity funds (usually OMA).

7-3. REVOLVING FUND CONCEPT.

a. The Army Stock Fund is an example of a revolving fund. It consists of funds with the US Treasury (cash) and inventory held for resale. Theoretically, this capital should remain constant.

b. The concept is as follows:

(1) When supplies are procured, there is an increase in stock fund inventory; but since payment must be made for the procurement, there is a corresponding decrease in stock fund cash.

(2) When a sale (issue of supplies) is made at the installation, there is a decrease in the amount of stock fund inventory; since the customer must pay for the items received, there is a corresponding increase in stock fund cash.

7-4. STOCK FUND BUDGETING.

a. The organization of the Stock Fund Division consists of a home office and several branch offices.

(1) The home office is located at the major command headquarters that establishes policy and procedures and reports to HQDA for the Stock Fund Division.

(2) The branch offices are located at installations subordinate to the major command. The branch office is the office that procures, stores, and distributes (issues) the inventory to the customer.

b. Because of the revolving fund concept, the stock fund is able to operate without an annual appropriation from Congress. However, the need for effective planning with respect to the stock fund's operating budget is no less significant than the planning and budgeting associated with annual appropriations.

c. Essential elements in preparing the stock fund budget are as follows:

(1) Knowledge of the installation's mission. The stock fund manager of the installation branch office is the Director of Industrial Operations (DIO). He must know the installation's mission priorities, and must continually disseminate this knowledge to his supply managers.

(2) Accurate estimates of customer purchasing capability. These estimates provide a basis for determining the quantity of supplies to be sold on a reimbursable basis from the stock fund.

(3) Troop strength to be supported, including reception center throughput, feeding strength, field exercises, etc.

(4) Cooperation of the unit supply officers and activity chiefs in making their supply requirements known.

(5) Complete accurate data reflecting the previous year's expenditures.

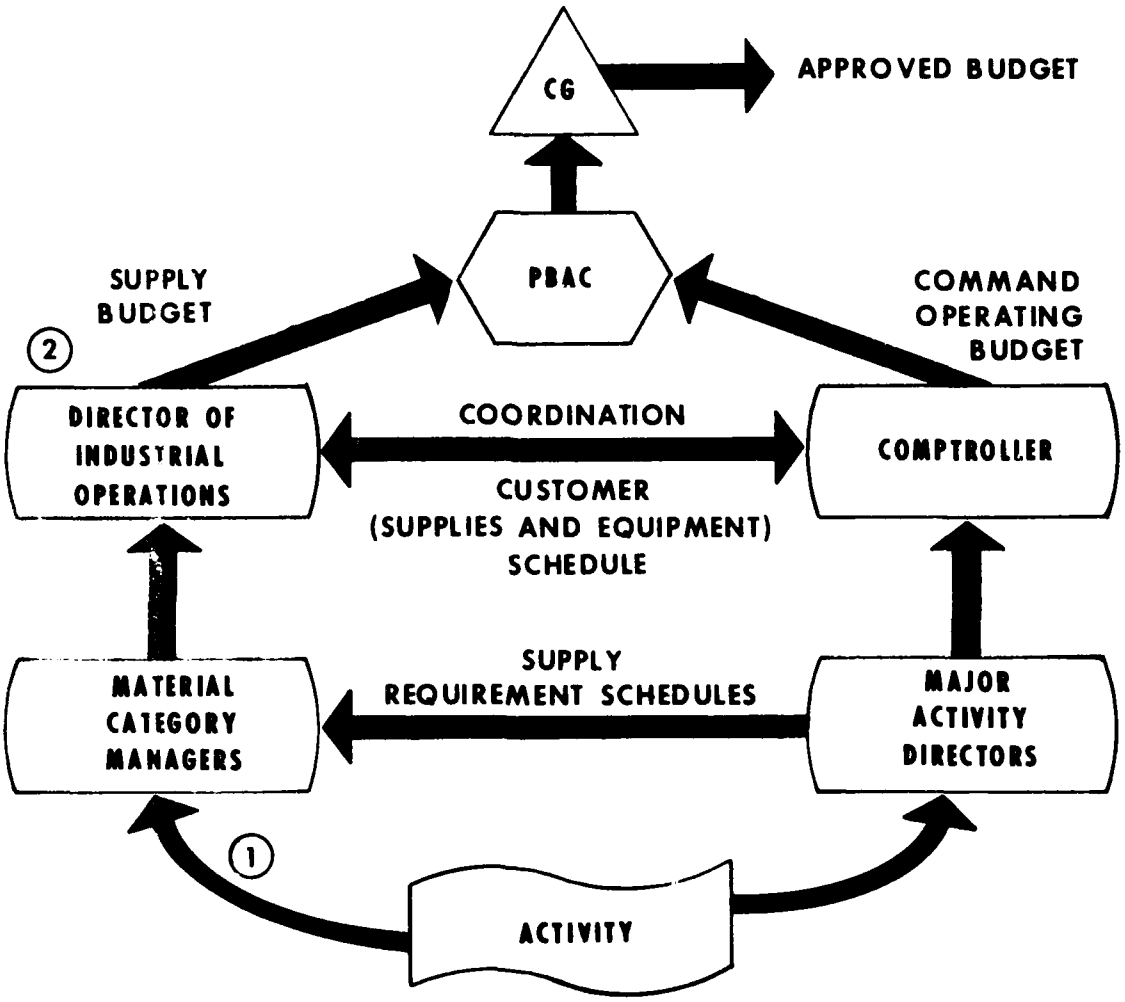
(6) Latest planning data on mobilization reserves.

d. The DIO is responsible for preparing the stock fund budget at the branch office. His supply managers receive the supply requirements from the consuming activities, in the form of supply requirement schedules. These schedules are prepared by materiel category and, when added together, should reflect the dollar value of supplies and equipment shown in the installation COB.

(1) The DIO reviews and consolidates supply requirements into the installation stock fund budget.

(2) The comptroller and DIO must insure that the stock fund budget sales forecast and the supply requirements in the COB are reconcilable. (See figure 7-1 for the interface between the stock fund budget and the COB.)

RELATIONSHIP OF THE STOCK FUND BUDGET AND COMMAND OPERATING BUDGET AT THE INSTALLATION LEVEL



1 [illegible]

2 [illegible]

Figure 2-1

e. As stated above, the Army Stock Fund does not require an appropriation for its operation. However, it must have an obligation authority and cash to purchase inventory and finance the stock fund order and ship time.

(1) The stock fund obligation authority budget is submitted through command channels to the Office of Management and Budget (OMB), which approves the obligation authority for the Army Stock Fund. Although it is not an appropriation, the action by OMB is an apportionment and subjects the obligation authority received to an RS 3679 violation if this dollar limitation is exceeded.

(2) A vital management control and indicator in management of stock fund operations is the obligation to sales ratio. The "ideal" ratio would be obligation to sales of 1:1--this means buy one, sell one. A ratio of less than 1:1--say .9:1--would indicate a program to draw down inventories and increase cash, while the reverse would indicate a program to increase inventories and reduce the cash balance.

(3) Care must be exercised to insure that there is sufficient stock fund cash to cover the accounts payable of the fund. Violation of this fundamental concept could result in a violation of RS 3679.

7-5. PROCUREMENT SOURCES.

a. The installation stock fund procurement sources are as follows:

(1) General Services Administration (GSA). GSA is the source for supplies (common-use) used by more than one Government agency (pens, pencils, paper products, etc).

(2) Defense Logistics Agency (DLA). DLA is the source for supplies (common-use) used by more than one military service (subsistence, medical supplies, clothing, etc).

(3) US Army Materiel Development and Readiness Command (DARCOM). DARCOM is the source for supplies (common-use) used by more than one Army installation (repair parts for vehicles, electronics, etc).

b. Items that cannot be purchased from one of the Government sources may be procured from commercial sources.

7-6. WHOLESALE AND RETAIL OPERATIONS. The GSA, DLA, and DARCOM perform wholesale operations. Only installation stock funds, performing the retail operation, may submit supply requisitions direct to one of these wholesale activities. Installation activities (the consumer) must deal with the installation stock fund, which is operated by the DIO retail operation.

7-7. STOCK FUND ORGANIZATION. The Army Stock Fund is organized as shown in figure 7-2.

7-8. STOCK FUND LIMITATIONS.

a. Obligation Authority (O/A) is an annual limitation placed on procurement. The balance decreases with each procurement action. Supply managers must exercise good judgment in their procurement actions. Obligations may not be exceeded, even though the consumer has the ability to pay. On the other hand, obligation authority balance at year end is lost. There is no carry-over.

7-9. SALES AND CUSTOMERS. Branch office sales are generated through the sales stores indicated in figure 7-3.

ORGANIZATION OF THE ARMY STOCK FUND

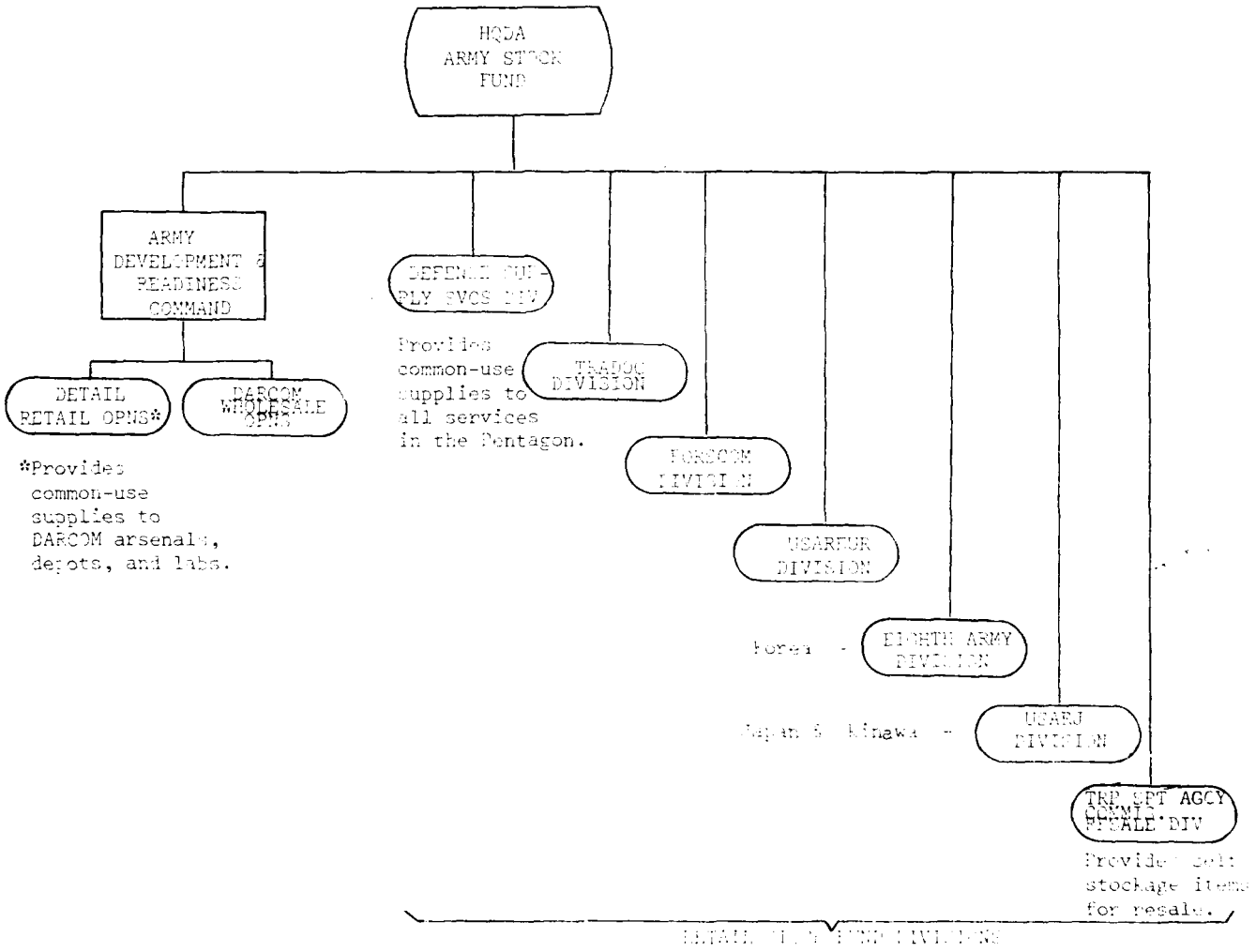


Figure 7-2

STOCK FUND SALES AND CUSTOMERS

TYPE	SUBSISTENCE	CLOTHING	EXPENDABLE SUPPLIES	NON-EXPENDABLE SUPPLIES
SALES OUTLET	TROOP ISSUE POINT	CLOTHING SALES STORE	SELF-SERVICE SUPPLE CENTER (COUNTRY STORE)	CONSOLIDATED PROPERTY OFFICE
CUSTOMER	Consolidated Dining Facility	Initial Issue Gratuitous Issue	Units Activities	Units Activities
	Field Ration Mess	Officer and Enlisted Personnel	Authorized Nonappropriated Fund	

Figure 7-3

INSTALLATION FINANCIAL MANAGEMENT FOR SUPPLY OPERATIONS
CHECKLIST

To Whom Addressed		
Compt	1.	How does the level of obligation compare with obligation authority received in the fourth quarter? (PS 3[illegible] violation)
DIO	2.	Has the stock fund obligation authority distributed to the installation supply managers been established as targets or ceilings?
DIO	3.	How do you check to determine that all procurement actions are being processed through the wholesale system even though the item is nonstandard, nonstock? What is required to procure the item locally?
DIO	4.	Are consumers submitting supply requisitions direct to procurement sources? If yes, why and on what authority?
DIO	5.	How do you insure that stock fund sales are generally paced with stock fund purchases? Is the ratio close to a 1 to 1 basis? If not, why not?
DIO	6.	What is the ratio of customer returns to sales? What percent of the returns are resold to customers, or allowed full credit upon return to the source of supply? Is the stock fund losing capital on the overall situation? If so, what can be done?
Compt	7.	Is the follow-up action timely in the following areas: accounts receivable, accounts payable, customer returns, and returns to source of supply? If not, why not?

STOCK FUND
CHECKLIST

To Whom Addressed		
DIO	1.	How does stock fund obligation authority relate to support demands?
DIO	2.	How are safety levels and operating levels considered in forecasting stock fund sales?
DIO	3.	Are commodity managers familiar with the mission of the installation? What is your orientation program?
Compt	4.	Has stock fund obligation authority been programed on a one-for-one dollar ratio basis to anticipated dollar sales? How is the program adjusted if it is more or less?
Compt	5.	What is the percentage relationship of stock fund sales to OMA purchases? Is the percentage above or below past year trends?
DIO	6.	Do your supply managers know what constitutes an RS 3679 violation? Is this included in their orientation program? If not, why not?
Compt	7.	How is the procurement and sales program continuously reviewed and analyzed?

Chapter 8

CONSTRUCTION, MAINTENANCE, AND REPAIR

8-1. GENERAL. Approximately 18 percent of the violations reported from fiscal year 1975 through 1980 occurred as a result of violations of the laws and regulations addressed in this chapter. The specific causes of the violations are depicted on page 4-3.

8-2. CONSTRUCTION PROGRAM.

a. The installation construction program is based on major command priorities and guidance, HQDA approved construction, installation annexes to master plans, and the Army's portion of the Five Year Defense Program. The Installation Planning Board is the group that is responsible for developing this list of projects with accompanying justifications in priority order.

b. Construction projects are submitted through engineer channels (District and Division Engineer) and through command channels. After congressional approval, Military Construction Army (MCA) funds flow through engineer, not command, channels to the District Engineer. A project must be fully funded before work can be initiated; which means that funds appropriated by Congress for a specific project must be sufficient to cover the acceptable contractor bid for that same project.

c. Besides major construction projects, alteration and minor construction are used as a means of accomplishing urgently needed construction costing $500,000 or less for the Active Army and $100,000 or less for the Reserve forces. Certain requirements must be met before a project may be categorized as minor construction. These requirements are outlined on page 8-10, item 5. Limitations on minor construction approval authority and use of funds are depicted in figure 8-1 for the Active Army and figure 8-2 for the Reserve.

8-3. MAINTENANCE OF REAL PROPERTY FACILITIES.

a. Structures built with either MCA or OMA funds require maintenance and repair. Maintenance is the day-to-day scheduled work required to preserve or restore a real property facility to the condition required for it to be effectively used for its designated purpose. Repair is the restoration of a failed or failing real property facility to that same condition. Limitation on maintenance and repair approval authority and use of funds are depicted in figure 8-1 for the Active Army and figure 8-2 for the Reserve.

b. The major concentration of maintenance and repair activities is on utilities systems, buildings, grounds, and surface areas. To insure that a minimum level of maintenance is performed and included in an installation's approved budget, Congress reserves funds, known as the "Maintenance of Real Property Facilities (MRPF) Floor." The MRPF Floor identifies a minimum amount of direct funds that must be obligated for this purpose. More may be obligated if necessary; but if less is obligated, the difference between this lesser amount

and the MRPF Floor must remain unobligated and may not be reprogrammed to other areas at the installation. Instead, that portion of the MRPF Floor which will not be attained within the time frame authorized and the applicable direct funds must be reported to the major command for withdrawal.

c. A backlog of facilities engineering maintenance and repair may occur due to lack of funds. This backlog has been formalized as Backlog of Maintenance and Repair (BMAR) and is defined as the end of fiscal year measurement of maintenance and repair work remaining as firm requirements of the annual work plan, the accomplishment of which was prohibited in that fiscal year due to lack of resources. Potential BMAR projects need not be validated by the major command before they may be categorized as such. The extent to which BMAR must be addressed is normally outlined in tasking documents or policy directives from major commands.

8-4. USE OF MILITARY LABOR. Military personnel may be used to perform functions relating to construction, repair, maintenance, and operation of real property in the following situations:

a. Military personnel may perform construction, repair, maintenance, and operation activities either as separate real property maintenance units (TOE) or as trained individuals in an integrated workforce for the following purposes:

(1) To provide the capability of meeting military requirements for initial wartime employments and contingency mission.

(2) To ensure maintenance of combat support readiness and mobility.

(3) To enhance training, skill development, career progression and an adequate continental US rotation base.

Military personnel may be authorized for use in cases other than the above when civilian skills are not available in the local economy.

b. Military personnel, other than those assigned to real property maintenance activities (a above), will not perform construction, repair, maintenance, or utilities operations activities. This policy does not preclude the use of: (1) prisoners or enlisted personnel undergoing nonjudicial punishment for routine maintenance tasks such as grounds maintenance, or (2) military personnel for construction, repair and maintenance of welfare, recreation or troop living facilities on a self-help basis when it does not conflict with military requirements. (See AR 210-50 and AR 420-22 regarding self-help programs.)

8-5. FAMILY HOUSING.

a. The laws, rules, and regulations governing the Family Housing appropriation differ from those governing construction funds by other appropriations. Family housing support is divided into the three principal categories: Incidental Improvements, Maintenance, and Repair; the Post Acquisition Construction Program; and New Construction.

b. Limitations and approval authority requirements governing incidental

improvements, maintenance, and repair are identified in figure 8-4. These limitations include improvements to all buildings and other real property directly associated with a family dwelling unit.

c. The Post Acquisition Construction Program is the means of providing improvements other than those allowable as incidental improvements under the Family Housing Operation and Maintenance Program. The line item improvement method is used to accomplish the major portion of this program's objectives by obtaining DA and DOD approval and congressional authorization and appropriation for accomplishment. The minor construction method is used to accomplish improvement projects that, for reasons of urgency, should not be deferred to a future line-item improvement program.

d. New construction will be considered when adequate private housing is not sufficient to meet existing needs. Installation commanders prepare and submit construction programs and supporting data to justify requirements as needed.

8-6. NONAPPROPRIATED FUND CONSTRUCTION.

a. Major commanders have project approval authority (i.e., authority to validate requirement for construction of recreational facilities) for all nonappropriated fund construction. This authority may be delegated in whole or in part to installation commanders.

b. When commanders have locally available nonappropriated funds to construct authorized facilities (including bowling centers) costing in excess of $100,000, prior approval must be obtained from HQDA even though the total funding for such a project may be from those locally available nonappropriated funds.

c. Proposed construction utilizing morale support fund resources (see chapter 11, figure 11-1 for the categories of nonappropriated fund instrumentalities) and costing $100,000 or less will be included in the major commands capital expenditure budget program. HQDA will exercise funding approval authority for these projects. If requirements for projects become known after HQDA approval of annual MACOM programs, they must also be submitted to HQDA for funding approval.

d. Any construction project proposing to use a combination of appropriated and nonappropriated funds, regardless of dollar amount, requires HQDA and DOD approval before the construction is begun. Limitation and levels of approval authority concerning Morale, Welfare and Recreational Facilities are depicted in figure 8-3.

8-7. REPORTING AND DOCUMENTATION REQUIREMENTS.

a. Project files must be established for all engineer projects to insure that all accumulated projects costs are identified and controlled. Each file must also include all correspondence and other documentation (to include memorandum for record pertaining to decisions resulting from discussions, meetings, and telephone conversations) concerning that particular project.

b. To minimize the accounting and administrative workload related to maintaining separate project records, files, and certificates for routine one-time construction undertakings of nominal cost, the costs related to these undertakings may be charged to appropriate work orders (AR 420-17) with no requirements for separate identification of the actual costs by specific undertaking, provided:

(1) Funded costs do not exceed $1,000.

(2) Work limited to additions, expansions, or extensions.

c. A Certificate of Urgency is required if a minor construction project is in excess of $100,000, unless DOD agrees that construction costs can be amortized in 3 years based on savings in Operation and Maintenance funds.

d. On projects approaching regulatory or statutory limitations, a day-to-day blotter record must be maintained, showing all actual costs incurred to date.

LEVELS OF APPROVAL AUTHORITY FOR CONSTRUCTION, MAINTENANCE AND REPAIR APPROPRIATED FUNDS - ACTIVE ARMY (OTHER THAN FAMILY HOUSING)

Limitations Effective 1 Oct 79

	OMA OPERATIONS AND MAINTENANCE, ARMY		MCA MILITARY CONSTRUCTION, ARMY	
DOLLAR LIMITATIONS	MAINTENANCE AND REPAIR	MINOR CONSTRUCTION	MINOR CONSTRUCTION Exigent Projects	MAJOR CONSTRUCTION
$0 - $100,000	MAJOR COMMAND (MAY DELEGATE TO INSTALLATION COMMANDER) $0 - $500,000	MAJOR COMMAND (May delegate all)	UNUSUAL (Requires prior approval HQDA)	CONGRESSIONAL APPROVAL REQUIRED FOR ALL PROJECTS REGARDLESS OF DOLLAR AMOUNT
$100,000.01 to $300,000		PROHIBITED BY STATUTE	CHIEF OF STAFF, ARMY or designee	
$300,000.01 to $400,000			ASA (I, L AND FM) or designee	
$400,000.01 to $500,000			ASD (MP,RA and L) in coordination with ASD (COMPT)	
Over $500,000	HQDA (Maint: Ofc, Ch of Engrs - Repair: ASAIL&FM for all over $500,000.)		PROHIBITED BY STATUTE	

Figure 8-1
8-5

LEVELS OF APPROVAL AUTHORITY FOR CONSTRUCTION, MAINTENANCE AND REPAIR
APPROPRIATED FUNDS - ARMY RESERVE

Limitations
Effective 1 Oct 79

DOLLAR LIMITATIONS FUNDED COST	MAINTENANCE AND REPAIR (Operation & Maintenance Army Reserve Funds)	MINOR CONSTRUCTION (Operation & Maintenance Army Reserve Funds)	MINOR CONSTRUCTION (Military Construction Army Reserve Funds)	REGULAR CONSTRUCTION (Military Construction Army Reserve Funds)
$0-$50,000	Major Command (May delegate to Installation Commander) $0-$100,000 (1)	Major Command (May delegate to Installation Commander) $0-$50,000	Major Command (May delegate to Installation Commander) $0-$50,000	Congressional Approval required for all projects regardless of dollar amount.
Over $50,000 to $100,000		Prohibited by Statute	Major Command Over $50,000 to $100,000	
Over $100,000	HQDA Over $100,000		Prohibited by Statute	

Note 1: The upper and lower dollar limits are shown for each category.

Figure 8-2

LEVELS OF APPROVAL AUTHORITY FOR CONSTRUCTION, MAINTENANCE AND REPAIR
MORALE, WELFARE AND RECREATIONAL FACILITIES

Limitations
Effective
1 Oct 79

DOLLAR LIMITATIONS FUNDED COST	MAINTENANCE AND REPAIR (Nonappropriated Funds)	MINOR CONSTRUCTION (Nonappropriated Funds)	MINOR CONSTRUCTION (Combination of Operation & Maintenance Army Funds (1) and Nonappropriated Funds)
$0- $100,000	Major Command (May delegate to Installation Commander) $0-$400,000	Major Command (May delegate to Installation Commander) $0- $100,000	Asst Sec of Defense (M,RA&L) for any combination of nonappropriated funds and Operation and Maintenance Army Funds or other appropriated funds.
Over $100,000-$400,000		HQDA Over $100,000	
Over $400,000	HQDA Over $400,000		

Note: 1. Operation and Maintenance Funds cannot exceed $75,000 Prohibited by Statute.

Figure 8-3

Limitation
Effective [illegible]

APPROVAL AUTHORITIES AND COST LIMITATIONS FOR FAMILY HOUSING O&M PROJECTS

APPROVING AUTHORITY	TYPE OF WORK (Note 1)	AUTHORITY AND LIMITATIONS
Installation commander (may be redelegated in writing to responsible installation officials).	Maintenance Repair Incidental Improvement Operations	As redelegated by major or intermediate commander.
Intermediate commander (most installations do not have intermediate commanders).	Maintenance Repair Incidental Improvement Operations	As redelegated by the major commander
Major commander	Maintenance	No limit
	Repair	$500,000 per project
		50 percent of replacement cost of affected facility in projects below $100,000.
		$20,000 per dwelling unit (DU) per 12 mos. period (Excludes maintenance)
	Incidental Improvements	$500 per DU per FY
		$100 average DU per FY for installation with inventory of 10 or more DU (Note 2).
		$10,000 per project (prohibited by statute above $10,000)
	Operations	No cost limitation by project
HQDA	Maintenance	None
	Repair	Approves all projects above $400,000 and where repair is in excess of 50 percent of replacement cost of affected facility in projects above $100,000.
	Incidental Improvements	Delegated to major commander
Secretary of Defense	Maintenance	None
	Repair	Approves all projects with repair in excess of $20,000 per DU per 12 month period
	Incidental Improvements	Delegated to HQDA and major commanders
Congress	Line Item Improvements	Approves all projects where cost of improvement, when combined with concurrent maintenance and repair, including work on other real property, exceeds $20,000 per DU (excludes DU damaged or destroyed by fire or other natural causes).

NOTES: 1. When improvement work is accomplished concurrently with maintenance and/or repair work the total cost of all work will not exceed $20,000 for an individual DU including conversion of two or more units to a single unit, without prior congressional approval.

2. For installations with fewer than 10 DU, cost limitation for all incidental improvements per FY is $1,[illegible]. All limitations are funded cost limitations. All projects will identify funded and unfunded costs. Design costs are to be considered as funded for family housing projects.

ADDENDUM TO FUNDS AUTHORIZATION [illegible]
SUPERVISOR PROGRAM OF [illegible]
FHMA (MI [illegible])

(See AR 210-50 for definitions)

APPROVAL LEVEL AND COST LIMITATIONS - FAMILY HOUSING [illegible]

APPROVAL LEVEL	MINOR CONSTRUCTION	LINE ITEM IMPROVEMENT
MACOM	$501 to $25,000 per project. May redelegate approval authority up to $10,000 per project to intermediate commander. Up to $5,000 per DU in 12-month period.	None
HUDA	Holds no approval authority on minor construction projects.	Reprograms among projects approved by ASI (I&L) provided that approved program total is not exceeded.
Asst Secretary of the Army (Installations, Logistics and Financial Management (ASA (IL&FM))	$25,001 to $75,000 per project.	None
Asst Secretary of Defense (Installations & Logistics) (ASD (I&L))	$75,001 to $400,000 per project. Approves project with an individual DU cost that exceeds $5,000 in 12-month period.	Approves projects with unit cost of concurrent work not exceeding $20,000.
U. S. CONGRESS	Not applicable.	Authorizes annual program total cost and individual [illegible] exceeding $20,[illegible].

1. ADMINISTRATIVE LIMITATIONS:
Additional improvements are not authorized for [illegible] years for DU approved in LIII. Cost limitations on DU includes its Assoc FF and pro rata costs for work on communal ORP serving DU.

Cost of improvement of ORP facility is limited to 50% of replacement cost.

Improvement cost of substandard houses plus all O&M costs must be amortized in 2 years from rental income.

Restoration costing in excess of $20,000 for a DU or 50% of replacement cost of ORP damaged or destroyed shall be funded as minor construction.

2. STATUTORY LIMITATIONS:
PL 93-166 requires Congressional approval when total cost exceeds $20,[illegible] on individual DU, or two DU combined to one. Cost includes proportionate cost of work on ORP serving DU. Excludes restorations.

3. OTHER:
Family housing project costs include design, SSA and contingency.

Approval levels and cost limitations are based on funded costs.

DU - Dwelling Unit
ORP - Other Real Property
LIII - Line Item Improvement Program

NOTE: All amounts which are below the Assistant Secretary of [illegible] are [illegible] PS 3670 limitations; however, exceeding the [illegible] and, in addition, could lead to an actual [illegible].

CONSTRUCTION, MAINTENANCE, AND REPAIR CHECKLIST

To Whom Addressed	
DEH Compt	1. What is this installation's approval authority for limitations for (OMA, OMAR and NAF) a. Minor construction? b. Maintenance? c. Repair?
DEH Compt	2. What is our MRPP quarterly target?
DEH	3. What information is available to the Installation Planning Board?
DEH	4. What is the amount of our BMAR projects? How many of these have been validated and are still current? What is our annual BMAR floor? What is our BMAR quarterly target?
DEH	5. Regarding alteration and minor construction projects (does not apply to Family Housing unless otherwise specifically indicated): a. Has the project, if estimated to cost in excess of $100,000 but not greater than $500,000, been determined to be of an urgent nature? If so, was a certification of urgency been prepared? If the project is not urgent, does it meet the criteria for a self-compensating project? If neither of these conditions is met, the project may only be funded as a specified location project. b. If an alteration project, is its estimated cost in excess of $75,000? If so, is its estimated cost in excess of 50 per cent of replacement costs of the complete facility? If so, HQDA approval is required. c. Has the project been deleted by Congress from previous proposed construction programs? If so, Secretary of Defense approval is required. d. Is the project to be performed on a facility within 1 year of acceptance of that facility? For Family Housing: Is the project to be performed on a facility within 3 years of total beneficial occupancy of that facility, or is a subject line-item improvement or minor construction project to be performed on a dwelling unit improved under the line-item improvement portion of the Family Housing Construction Program within the last 5 years? If so, in either case, HQDA approval is required. e. Is the project a part of: (1) Incremental construction of a new facility? If so, approval of the agency having approval authority of the total facility is required. (2) Planned incremental construction of a new interdependent group (or complex) of facilities? If so, HQDA approval is required even though each separate project has a funded cost of $50,000 or less.

To Whom
Addressed

(3) A larger project that has been subdivided to comply with approval authority? If so, the project is not authorized.

f. Is the project part of the present MCA or Family Housing line-item improvement budget, or has it been authorized under any other currently effective regulation or law? If so, the project may not be financed as minor construction.

6. Have all project costs been identified and categorized as funded costs versus unfunded costs per AR 415-35?

Chapter 9

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION (RDTE), ARMY, APPROPRIATION

9-1. GENERAL. The ultimate objective of Army research and development (R&D) is timely development of weapons, equipment, and systems, all at minimum total cost, with adequate performance to meet approved operational requirements, and with the capability of being effectively manned and supported in any environment, and under all conditions of war.

9-2. PROGRAM DEVELOPMENT. The annual funding program for any RDTE project will be developed in an incremental basis. Incremental programing will provide funding year-by-year, as distinguished from fully funding the total costs at the time the program is initially authorized. Generally, the annual funding increment of any RDTE project will be limited to the obligation authority necessary to cover all costs expected to be incurred during a 12-month period, including, **only those costs which are necessary to further the project toward its objective during that increment of the total schedule.**

9-3. PROGRAM SUBMISSION. Program and budget guidance is issued to the developing agencies during January in the form of a project listing which specifies dollar limitations. In March, the developing agencies submit detailed program recommendations for tasks, projects, and programs to HQDA, which are based on the program and budget guidance. The program recommendations include basic information required for the review of the RDTE program.

9-4. REVIEWS OF ARMY RDTE PROGRAM. The integrated management of RDTE programs in conjunction with procurement programs is reviewed semiannually. This integrated acquisition management is evaluated by the Research Development Acquisition Committee (RDAC) which makes a recommendation to the Office of the Deputy Chief of Staff for Research, Development, and Acquisition (ODCSRDA), in the form of logically prepared programs, consistent with funding constraints.

9-5. **APPROVED PROGRAM FOR THE BUDGET YEAR.**

a. After the review described in paragraph 9-4 above is completed, the program reflects a funding level for each program and project that corresponds in total to the Army RDTE portion of the budget presented to Congress by the President the preceding January. Proposed congressional adjustments will be included if they are known when the program is developed. The program is submitted to DOD in the form of a project listing, with supporting documentation, and serves, among other things, as a request to DOD for apportionment of funds for the budget year.

b. After review and "markup" by DOD, an apportionment decision is made based on the project listing previously furnished. This is the **approved project listing for Army RDTE for the budget year.**

c. Major commands receive the **project listings which authorize the commands to begin execution of their individual programs.**

d. After Congress adjusts the President's Budget to reflect congressional amendments and apportionment changes, the current-base-program (basis for reprograming) for RDTE is developed and distributed to the commands. These adjustments may increase or decrease the funding levels for the developing agencies. Normally, the current-base-program is distributed at the same level as the project listings and serves as the base for reprograming action. Any funds which are approved by OSD but held by OSD and DA as not available for obligation constitute the deferred program. These funds will not be included in allocations to the developing agencies. Annex A at the end of this chapter lists the management and control principles of RDTE resources.

9-6. REPROGRAMING.

a. The nature of the RDTE effort requires flexibility in the application of financial resources. It is a principal function of management to make "trade offs" (i.e., move resources between programs and projects for their most productive use). Congress generally accepts the view that unforeseen requirements or changes in operating conditions may require some diversion of funds from the specific purpose for which they have been justified. Although sound effective management may require the shifting of funds from specific uses originally planned, funds should be used substantially for the purposes for which justified. No formal requests for reprograming can be presented to the Congress unless it is for higher priority items based on unforeseen military requirements. Identification of high priority programs will be provided by ODCSRDA.

b. To allow the flexibility essential to the most productive use of funds, the greatest degree of authority commensurate with sound management practice should be delegated to subordinate agencies responsible for program execution. Annex B at the end of this chapter lists RDTE reprograming policies.

ANNEX A

MANAGEMENT AND CONTROL

1. Management.

a. It is mandatory for developing agencies to remain within their current approved program. Funding for a project will not be increased beyond delegated reprograming authority. Except in the research and exploratory development categories, developing agencies will not undertake new projects or extend projects to areas previously not funded. Similarly, contractors will not be permitted to include additional costs in a contract that will require funds to be reprogramed from other sources until the funding sources have been authorized.

b. ODCSRDA will be notified as early as practicable of potential cost increases that will exceed the developing agencies' reprograming authority. Notification will include recommended adjustments within the program elements on projects concerned to accommodate the increases. Further action will be delayed until these recommendations have been reviewed and approved by ODCSRDA and/or Congress.

c. Developing agencies will monitor and control the total RDTE resources available to installations/activities under their control. Developing agencies must insure that the installations/activities are preparing internal operating budgets for their cost centers and that such budgets allow a comparison between planned and actual performance. The collection, distribution, and control of costs under a cost center concept will be used in management accounting systems for the RDTE appropriation at installation level.

d. Specific authority for obligation of available funds is administratively controlled at the budget subactivity (program element) level. Therefore, under the provisions of RS 3679, legal limitations on obligations are at the budget subactivity level.

e. The **Defense Appropriation Act usually provides that, unless otherwise stated in the appropriation act, RDTE funds will be available for obligation for a period of 2 successive years.**

f. Army RDTE funds will not be used to support work at Federal Contract Research Centers (FCRC) without the ODCSRDA's approval of a FCRC ceiling. The funds and ceiling used to support FCRC work must be available in the same program year. The following centers are subject to ceiling limitations:

(1) Institute for Defense Analyses (IDA).
(2) Applied Physics Laboratory (Johns Hopkins University).
(3) Center for Naval Analyses (University of Rochester).
(4) Applied Research Laboratory (Pennsylvania State University).
(5) Lincoln Laboratory (Massachusetts Institute of Technology).
(6) Aerospace Corporation.
(7) Analytic Services, Inc. (ANSER)
(8) MITRE Corporation.
(9) RAND Corporation.

2. Programwide activities. This program supports the costs of RDTE in-house effort that cannot logically be charged to a specific project or projects being conducted in one of the other RDTE budget programs. When the facility or installation has RDTE funded projects or programs, cost for these projects should be controlled by individual cost centers and prorated to the benefiting program (also see AR 37-112 (Management Accounting for RDTE Appropriation) and AR 37-100-XX).

3. Special purpose equipment. Special purpose equipment is that equipment peculiar to the overall RDTE function which is essential to the execution of the R&D program. Special purpose equipment does not include standard items acquired by the procurement appropriations, repair and utility-type equipment, or nonproductive capital equipment (e.g., desks, chairs, typewriters, and other administrative items). The developing agency's list of approved special purpose equipment will not be altered by the procuring installation without the prior approval of the developing agency.

4. Administrative and nonproductive capital equipment for industrial funded research and development installations. The procurement of nonproductive capital equipment costing $5,000 or more, benefiting more than one RDTE project, and having a normal useful life of more than 1 year is to be considered an RDTE investment as distinguished from an expense and will be financed from programwide activities' funds. The procurement of tools and equipment having a normal useful life of less than 1 year or having a unit cost of less than $5,000 will be financed from the industrial fund for recovery as part of operating costs.

5. Transportation costs. The costs of transporting items being tested and the supplies and equipment required to support the test from an R&D activity/installation to a test site or test board are properly chargeable to the RDTE appropriation.

ANNEX B

REPROGRAMING

1. Reprograming policies.

a. In accordance with AR 70-6, the Department of the Army is authorized to reprogram funds between program elements subject to the following restrictions:

(1) Reprograming action, single or cumulative, involving an increase of $2,000,000 or more in any program element, including the addition of a new program element, requires the prior approval of OSD.

(2) No reprograming may be made which results in an increase to a program element that was omitted, deleted, or specifically reduced by Congress. Specific identification of these program elements will be provided by ODCSRDA.

(3) Reprograming of funds, regardless of amount, to a new effort (i.e., new proposal, line item, or program which was not included in the program previously justified to the Congress) requires prior approval of HQDA. Initiation and cancellation of projects is governed by AR 70-1 (Army Research, Development, and Acquisition).

(4) Due to special interest of OSD, HQDA, other Government agencies, or the Congress, there may be certain cases where reprograming may require advance approval--regardless of the amount to be reprogramed or the level of reprograming. These cases will be exceptional, with reprograming restrictions applied individually.

(5) Reprograming will not be done if it would change the purpose of an existing prior year approved program.

(6) Reprograming of funds between fiscal years will not be done unless specifically authorized by an Act of Congress.

b. Reprograming which exceeds the criteria in 1(1) through (6) above will be submitted to ODCSRDA by letter, with complete justification for approval prior to implementation. Requests for reprograming actions that exceed the authority delegated to developing agencies must be financed, for the most part, within the developing agency's total current available resources. ODCSRDA, in conjunction with the developing agency, will attempt to find mutually agreeable sources of funds. When additional, new, or unprogramed requirements are forwarded for consideration, reprograming requests will include the following:

(1) The priority of the requirement, in relation to:

(a) Other unfinanced requirements previously forwarded for consideration.

(b) Other currently approved programs from which funds might be taken.

(2) A recommendation of a source for the required funds (from sources available to the developing agency) and the impact on the source.

2. Delegation of reprograming authority.

a. Subject to the policy restrictions in paragraph 1a, developing agencies are delegated authority to reprogram RDTE funds without prior approval of HQDA, in accordance with the dollar limitations indicated as follows:

(1) Dual responsibility for program element execution, (program elements for which two or more developing agencies have some responsibility).

(a) The Commander, US Army Materiel Development and Readiness Command, may make cumulative changes not to exceed $1,000,000 in the current-base-program amount for the assigned portion of a program element. Cumulative reductions in excess of $1,000,000 may be made in program elements of prior year RDTE programs when funds are required to finance increased costs in other areas for the same program year.

(b) The Commander, US Army Security Agency, may make cumulative changes not to exceed $975,000 in the current-base-program amount for the assigned portion of a program element.

(c) The Commander, US Army Training and Doctrine Command; The Surgeon General; the Chief of Engineers; and the US Army Research Institute may make cumulative changes not to exceed $250,000 in the current-base-program amount for their assigned portions of a program element.

(d) All other developing agencies may make cumulative changes not to exceed $100,000 in the current-base-program amount for their assigned portions of a program element.

(2) Sole responsibility for program element execution, (program elements for which one developing agency has sole responsibility). Developing agencies are authorized to make cumulative changes of less than $2,000,000 in the current-base-program amount of a program element.

(a) Cumulative reductions in excess of $2,000,000 may be made in a program element in prior year RDTE programs when funds are required to finance increased costs in other areas for the same program year.

(b) No exception to the $2,000,000 limitation can be made for increases.

b. ODCSRDA specifically reserves the right to disapprove any command reprograming action that circumvents guidance provided to the developing agencies on work priorities and directed fund increases and decreases.

Chapter 10

ARMY PROCUREMENT APPROPRIATIONS

10-1. GENERAL. The five Army procurement appropriations are: Procurement of Aircraft, Army; Procurement of Missiles, Army; Procurement of Weapons and Tracked Combat Vehicles, Army; Procurement of Ammunition, Army; and Other Procurement, Army. All of these procurement appropriations are part of the investment appropriations. These appropriations are available for obligational purposes for 3 years and 2 additional years for disbursement and obligational adjustments. The procurement appropriations consist of two types of programs, Direct and Customer. The direct program is to satisfy the Army's direct needs. The customer program consists of those requirements placed on the Army by authorized customers for Army items.

10-2. BUDGET FORMULATION.

a. Each year the Army must budget and program for its procurement by individual line item, such as the XM1 Tank, the Blackhawk Helicopter, and individual rounds of ammunition. For the Army's direct needs, the Congress annually authorizes and funds materiel purchases at specific quantities and funding levels for each procurement appropriation. This is a relatively defined procedure that permits both the Congress and the Army to know what was authorized for procurement.

b. Each year the Army is required to program and budget for what it anticipates to sell to its customers. The majority of these customer orders are from foreign countries and are either foreign military sales or military assistance (Grant in Aid). Also included are requirements for other defense services. This estimate is at the total appropriation level. Since it is unlikely that the Army can accurately forecast when foreign governments will request specific items, broad estimates are made. Nonetheless, estimates are required to be presented in the procurement appropriation budget request which follows the normal budget process. However, it is this not so well defined customer order program portion of the total program that has caused the majority of the Army's financial problems in the procurement appropriations.

10-3. BUDGET EXECUTION.

a. The approved program is established by passage of both the Authorization and Appropriation Acts by the Congress. These acts reflect adjustments made to the President's Budget. DA submits to DOD and OMB an apportionment request for funds for the budget year. This request is supported by a so called line item program, and normally reflects the budget requirements approved by the Congress.

b. The Army is required to control its direct Army procurement programs at the line-item level, with programs released to the field identified in quantities and dollar amounts. However, the program it manages for customers is only controlled at the appropriation level, with funds released at the aggregate level. This type of customer program control is due to the present

system whereby the commodity commands that manage the procurement programs receive orders directly from the US Army Security Assistance Center (USASAC) and other DOD components. Therefore, HQDA does not release the customer program identified **in quantities and dollar amounts, since obligational authority** can only be used after receipt of a firm customer order. Once received and recorded by the commodity commands, the customer order establishes reimbursable obligational authority that may be used in procuring the materiel for the customers. Therefore, customer program authority and obligational authority applied cannot exceed the total amount of the confirmed order that will ultimately be billed and collected back into the procurement appropriations.

c. Many problems developed over the years since the Army's direct obligational authority and the reimbursable obligational authority were not tightly controlled and in some cases became co-mingled. This type of management and control system contributed to the overallocation and overobligation of several of the procurement appropriations in recent years. Since the customer program is an estimate at the beginning of each year, it must be adjusted to that amount of program authority that will actually be obligated in order to satisfy all orders received during that year. The total program amount (required to be obligated) is normally less than the total orders received, since some orders are filled from stock without replacement. Without the need to buy these items, program authority is not required.

d. HQDA may request adjustments to provide for changes in materiel requirements which occurred subsequent to the time of the original budget estimate. However, DA must confine all adjustments and reprograming action within the limits of the total obligation authority (TOA) reflected in the appropriation act. Annex A, at the end of this chapter, covers reprograming thresholds.

10-4. REPROGRAMING AUTHORITY. Reprograming authority is illustrated in Annex B. Reprograming between program years can only be accomplished by the submission of a reprograming request to HQDA for OSD approval. Direct Army reprograming authority will not be construed to permit the addition of quantities, the expansion of approved scopes of work, or the addition of a new item to prior year programs.

ANNEX A

REPROGRAMING THRESHOLDS (DODI 7250.10)

1. Direct Army. DOD and/or congressional approval is required. Specific approvals will be obtained with respect to reprograming actions pertaining to the following:

a. Items omitted or deleted by the Congress from programs as originally presented.

b. Items for which specific reductions in the amounts originally requested were made by the Congress.

c. An increase in procurement quantity of an individual aircraft, missile, tracked combat vehicle, or other weapons for which fund authorization was enacted in compliance with 10 USC 138 (formerly section 412b of Pl 86-149, as amended).

d. Any items when the resources to finance the increase are derived in whole or in part from unprogramed balances previously reported.

e. An increase of $5 million or more in a budget line item or the addition of a new program line item in the amount of $2 million or more.

f. The addition of a new program line item irrespective of the dollar amount if it requires significant follow-on costs.

g. Any reprograming action involving the application of funds, irrespective of the dollar amount, to items in which one or more congressional committees is known to have a special interest; also any reprograming action which, by nature of the action, is known to be or has been designated as a matter of special interest to one or more committees (e.g., reprograming between appropriations, reprograming between program years).

2. Customer. Customer reprograming of quantities and scope of work will be accomplished by appropriate amendments to the customer orders, since customer programs are not subject to line-item reprograming controls.

ANNEX B

REPROGRAMING AUTHORITY PROCUREMENT FUNDS

Reprograming for:	Advance approval of Congress required	Notification of Congress advance approval OSD	DARCOM HQDA authority	USACC authority
1. Items omitted or deleted from budget by Congress.	X			
2. Items reduced by Congress.	X			
3. Item of special interest to any congressional committee.	X			
4. Any increased quantity of 10 USC 138 items, (Acft, Msl, Trkd Cbt Vehs & other Wpns).	X			
5. Any items, when the resources to finance the increase are derived in whole or in part from unprogramed balances previously reported.	X			
6. Increase of $5 million or more to a budget line item.		X		
7. Addition of a new program line item of $2 million or more.		X		
8. Addition of a new program line item irrespective of the amount if it requires significant follow-on cost.		X		
9. Increases of approved program line item under $5 million (cumulative) above the current base for reprograming.			X	
10. The decrease of the dollar value of an approved program line item for any amount.			X	X
11. Except for 10 USC 138 items and other congressional restrictions, increase quantities within dollar limitations and reduce quantities with no limit.			X	
1 . Addition of new line item into the program of $2 million provided there is no significant follow-on cost.			X	

	Advance approval of Congress required	Notification of Congress advance approval OSD	DARCOM HQDA authority	USACC authority
13. Increase the dollar value of DA released line item for any amount up to $3 million provided the total programed amount does not exceed the established base for reprograming plus the Army's threshold of $4.999 million.				X
14. Addition of a new standard "A" line item if the item is needed to meet current issue requirements and the total value is less than $500 thousand for the total quantity for each item added.				X

OSD RESTRICTIONS FOR PRIOR YEAR PROGRAMS

1. Add no new line items.

2. Add no increase in quantities.

3. Add no increase to approved scope of work.

Chapter 11

NONAPPROPRIATED FUNDS

11-1. GENERAL. The financial management of Nonappropriated Funds (NAF) in the 1980's is an important element in the operation of any installation. NAF financial management encompasses approximately 1,800 activities which generate sales in excess of $3 billion per year. (See figure 11-1 for categories of NAF's.) These NAF activities employ approximately 32,000 full and part-time NAF employees as well as approximately 9,000 appropriated fund employees. During Fiscal Years 1979 and 1980, significant inroads have been made in the automation of NAF accounting, reporting, and payroll functions under the auspices of the Nonappropriated Fund Information Standard System (NAFISS), further refinements of the program and budgeting process and an increased awareness of financial reporting and analysis. It should be emphasized that NAF's are business like activities and should be viewed as such in that profit and loss are important indicators of performance.

11-2. BUDGETING.

a. The nonappropriated fund budgets are a plan of action for the NAFs in the command. The budgetary process for morale, welfare, and recreation (MWR) activities must be a meaningful, quantitative expression of program requirements. This process of budget formulation, introduced as the requirements budgeting system, tasks the activity level director to initiate program requirements, and the commander to insure that there is the necessary interplay between program development and the budgetary proceedings to insure that the program is funded and implemented.

b. NAF budgets will be prepared to provide operating managers (including fund custodians and staff proponents) and officials above operating managers with resource data to be used in command management decisionmaking. The budgetary process for MWR activities will identify total anticipated appropriated and nonappropriated fund resources, whether the same or separate planning documents are used, and provide the basis for considering morale and recreational program funding alternatives. DA policy is that the MWR will utilize appropriated funds supplemented by nonappropriated funds whereby appropriated fund support will be maximized.

c. Four types of budgets should be prepared for all nonappropriated fund instrumentalities (NAFI) except Chaplain funds and the club system. Actual and programed performance by these budgets will be compared monthly to provide for the identification and correction of significant variances.

(1) The Annual Operating Budget projects income and expenses and permits the comparison and analysis of programed data with actual data.

(2) Capital Expenditure Budgets show projections for working capital, acquisition, renovation, expansion, and/or replacement of fixed assets, and indicate sources of funding.

(3) Cash Flow Budgets show existing cash resources and anticipated cash receipts and disbursements, and forecast cash balances on specified dates. The cash budget should reconcile with the operating and capital expenditure budgets. The cash flow budget should serve as the focal point for a weekly or monthly cash flow analysis.

(4) Source of funds budgets are annually prepared to identify the sources of appropriated and nonappropriated funds that will be applied to projected activity requirements.

d. The appropriated and nonappropriated fund budgets for the MWR activities should be prepared concurrently (although documented separately) and considered conceptually as one total requirement.

MWR programs, to include both the appropriated and nonappropriated fund portions, will be reviewed by the Program Budget Advisory Committee. Commands must insure that local generation of income is maximized and fund equities have been either spent or invested prior to requesting nonappropriated funds from HQDA. In the commander's statement required at the end of the budgeting process, commanders will be required to state where the funds to support their programs were generated. This will allow for both the appropriated fund and nonappropriated fund budgets to be evaluated by HQDA to insure that their program requirements interface with the respective budgets.

e. The Army club system has its own budgeting process and documents which outline the clubs unique budgetary requirements.

(1) Annual Operating Budget. This is the plan of the clubs activities by revenue and expense items for the fiscal year.

(2) Capital Expenditure Budget/Appropriated Fund Support Budget. This is a 5 year summary of planned expenditures by type of expenditure and source of funding. It also provides a projection of appropriated fund support furnished the club system.

(3) Monthly and Year-to-Date Variance Analysis. Compares monthly projections from the Annual Operating Budget with actual results. This type analysis enables managers to focus on areas where revenue or expenses are greater or less than budgeted.

It is essential for these club budgets to be reviewed to insure that the HQDA directed net income objective is achieved and that the MWR activities receive their required distribution of Package Beverage Branch profits.

f. It is imperative that the Central Accounting Office (CAO) prepare its operating budget prior to the preparation of the MWR and club budgets. Since the CAO is an expense to these funds, it is necessary that they have an accurate portrayal of expenses when preparing their budgets.

11-3. ACCOUNTING.

a. Appropriated fund and nonappropriated fund accounting systems will furnish the reports pertaining to MWR and club operations as required by OSD. All direct, readily identifiable expenses incurred in support of NAF activities must be accumulated in the accounting system at the installation or activity level. This requires full disclosure of NAF and nonreimbursable appropriated fund costs to the installation commander and his staff. Inherent within this reporting requirement is the accumulation of related appropriated fund resources provided to nonappropriated programs and facilities.

b. A Central Accounting Division (CAD) must be established at the installation level unless it can be documented that it is not cost feasible and an exception granted by DA. They are designed to provide the installation with professional and standardized accounting and reporting functions for nonappropriated fund activities on the installation, including the installation club system. Participating activities perform basic operational functions and clerical duties, such as collection of receipts, preparing and making deposits, preparing time and attendance reports, and furnishing the CAD all source data pertaining to cash receipts and obligations incurred. The CAD is an organizational entity of the installation finance and accounting office (FAO) and a staff responsibility of the comptroller.

c. The central accounting officer (CAO), in addition to insuring that his organizational entity actively complies with DA and DOD directives, possesses an even more critical external obligation to the command--that of providing analytical interpretation of financial statements and providing recommendations for financial improvement of all NAF operations. The preparation of accounting data for external distribution maximizes the effectiveness of the accounting system. Also, providing interpretive data throughout the command's decisionmaking levels is a vital link in the NAF financial management chain.

d. NAFISS has been developed and is being implemented to provide standard automated accounting operations and to improve managerial decisionmaking by more timely reports. The system can also provide a payroll function wherein all CONUS NAF employees are paid from a central processing site in lieu of each installation doing its own payroll function. For this system to operate, sufficient ADP resources must be made available to the CAO to allow for the timely preparation of reports.

e. The CAO should establish an equitable cost proration technique so as to insure that all funds are charged their fair share of costs based on the method utilized. Some of the methods that could be utilized are manhours expended, number of transactions being processed or the number of documents being processed. The method used for a particular fund should be used consistently in the computation and adjustment of costs. The method of proration should be reviewed after six months and any changes made as a result of that review incorporated in the funds operating budget.

f. In order to ensure that an optimum working relationship exists between the fund manager and the CAO, each installation is to establish a NAFI

Advisory Panel. This panel is required to meet at least quarterly and its membership consists of the Comptroller, DPCA, F&AO, CAO, and fund managers. This council will review the CAO budget and proposed proration of costs; review of financial statements and comparative analysis of CAO operations; and ensure that there is a flow of communications between the CAO and fund managers.

11-4. RESPONSIBILITIES AT THE INSTALLATION OR ACTIVITY.

a. NAF financial statements, including appropriated fund expense data and personal status reports, consolidated by NAF category, will be prepared under the operational supervision of installation FAOs and submitted to major commands for consolidation and submission to the US Army Finance and Accounting Center to satisfy OSD requirements.

b. Major command and installation commanders are responsible for evaluating the morale support programs of the installation(s) within their commands as to whether maximum equitable benefit is accruing to military personnel from appropriated and nonappropriated funds, and insuring that NAF budget guidance is followed. This responsibility also includes achieving the required income objectives for the installation club system and that variances in actual performance from budgeted are accurately portrayed and documented for corrective action. It is also necessary to insure that all NAF activities develop a viable Management Information System (MIS) which serves as a forecast of these financial statements.

c. Comptrollers are responsible for providing appropriated fund expense data to MWR staff proponents in the format and detail specified by regulation or DA directive, supplying whatever technical assistance is required by the MWR staff proponent, and providing appropriated fund expense data that is required in formulating NAFI budgets. Additionally, the comptroller has a staff responsibility to insure that accounting and internal review services are provided to NAFIs and that management guidance to NAFI custodians is readily available.

d. NAFI custodians are responsible for administering their funds in accordance with applicable regulations, except for signing checks and maintaining formal accounting records. Of greatest importance is the responsibility for gathering prescribed NAF expense information, preparing budgets in accordance with the budget parameters set by the DPCA (MWR staff proponent) and TAGO, and managing their MWR activities and clubs.

e. DPCAs or their staff proponents within the DPCAs are responsible for planning, organizing, directing, controlling, and supervising the MWR program and club system, to include overall responsibility for budget formulation, justification, and execution.

f. In order to properly monitor the various NAF activities it is important that fund managers perform a joint review of the funds Income Statement Balance Sheet, and the Statement of Charges in Financial Position and then use these statements in performing their monthly variance analysis.

11-5. INTERNAL CONTROLS. Internal controls for administering nonappropriated fund instrumentalities are adequately covered in a 100-question checklist in appendix B of AR 230-9, Internal Controls. In addition, a checklist at the end of the chapter is provided concerning the operation of a command's NAFIs.

11-6. NONAPPROPRIATED FUND PROGRAM AND FINANCIAL MANAGEMENT RESPONSIBILITIES.

a. On 26 July 1978 a Comptroller of the Army-The Adjutant General Memorandum of Understanding was signed and in it was clarified the respective staff management responsibilities of NAFIs.

b. TAG or the designated installation proponent is the Program Manager to include:

(1) Managing NAF resources.

(2) Identification of resource requirements.

(3) Budget guidance development/budget preparation.

(4) Interpret financial reports and related documents.

(5) Evaluate management reporting needs.

c. COA or the designated MACOM/installation proponent is the Financial Manager to include:

(1) Accounting and reporting for NAFIs under the Finance and Accounting Offices, i.e., Central Accounting Division (CAD).

(2) Develop accounting policy, procedures and direction.

(3) Quality Assurances reviews of CADs and review of procedures of serviced NAFIs as they pertain to internal operation of CAD.

d. Dual responsibility of TAG and COA or their proponents to insure the adequacy and cost effectiveness of accounting and reporting services.

AIR FORCE NAFI FIDUCIARY FUND INSTRUMENTALITIES

NAFI TYPE	FUNCTION	EXAMPLES*
1. Armed Services Exchanges	Provides reimbursable goods and services to authorized patrons and funds to support other designated morale and recreational programs.	Army-Air Force Exch
2. Other Resale and Revenue Earning NAFI	Provides, other than through the Armed Forces exchange, resale of goods and services to authorized patrons and funds to support other designated morale and recreation programs.	Class VI/Pkg Bev Br Armed Services Newspapers Post Restaurants
3. Military General Morale, Welfare and Recreation NAFI	Provides morale and recreation programs for military personnel. Category IIIA NAFIs provide nonappropriated fund support to those MWR activities in Category IIIB. Category IIIB activities are established as elements of the Installation Morale Support Fund.	IIIA Instl Morale Spt Fund Unit Funds IIIB Libraries Child Care Center Recreation Centers
4. Civilian Employee General Welfare & Recreation NAFI	Provides morale and recreation programs for civilian personnel.	Civilian Welfare Funds
5. Officer/NCO and Enlisted Members Clubs (Open Mess)	Includes Officer and NCO/Enlisted Members Clubs and all ancillary activities except package beverage stores (Gp. 2) which provide dining and social programs, services, and facilities to membership groups. Administrative Support Branches (ASB) are included regardless of the fact that they may provide administrative and logistical support to other NAFIs.	Army Club Fund Officers' Clubs NCO and EM Clubs
6. Other Membership Association NAFI	Provides other morale and recreation programs, services, and facilities to special-interest groups.	Rod & Gun Clubs Flying Clubs, Riding Clubs, Sports Parachute Clubs
7. Common Support Service NAFI	Provides NAFI support functions such as accounting, procurement, or personal services when such functions are consolidated and apply to more than one of the NAF financial reporting categories. This category is limited to central accounting.	Central Accounting Office, Central Procurement Offices
8. Supplemental Mission Services NAFI	Provides morale and recreation programs, services, facilities to eligible personnel at large rather than the restricted clientele of other financial reporting categories.	Billeting Funds Army Community Svcs Fund

*This is not an all inclusive list. Reference should be made to AR 230-1 or 210-55 for a more detailed listing of activities.

CHECKLIST

TO WHOM ADDRESSED		
DPCA & Compt	1.	Is there a central accounting office (CAO) established, where feasible, on the installation to provide standardized accounting and reporting functions to participating NAFIs IAW AR 230-65, and is it an organizational entity of the installation FAO?
Compt	2.	Is the CAO providing centralized fund administration using a single bank account?
Compt	3.	Is prompt followup action taken 3 months after answering an audit report requiring corrective action?
DIO	4.	Is the installation/activity purchasing and contracting officer providing NAF procurement service to installation NAFI IAW AR 230-1, The Nonappropriated Fund System? What are the procedures?
DPCA	5.	Are the directives concerning the use of nonappropriated funds being followed? What can be done to improve the program?
Compt	6.	Are the directives pertaining to the use of appropriated funds to supplement nonappropriated fund instrumentality activities being followed (AR 210-55)?
Compt	7.	Are all direct, readily identifiable expenses (related appropriated fund resources) incurred in support of MWR/NAF activities being accumulated in the accounting system at the installation? What additional program support is needed to enhance the system?
DPCA & Compt	8.	Are coordinated nonappropriated fund and appropriated fund budgets being prepared for MWR/NAFI activities and then reviewed by the installation/activity program budget advisory committee? Are all required budgets being prepared? Is the same procedure being followed for the club system budget process?
DPCA & Compt	9.	Is the budget process identifying appropriated and nonappropriated fund resources to be used in program funding considerations? Are budgets being prepared for all Category II, IV, VI, VII and VIII Activities and are these budgets being reviewed and approved at the installation level?
DPCA	10.	Has a sinking fund for NAF employee severance pay and related benefits been established where required by regulation?
DPCA & Compt	11.	Are there continual horizontal and vertical interpretations of financial statements, and subsequent budget adjustments made when expediency dictates, by the CAO, NAFIs and MWR staff proponent? Is a viable budget variance analysis being performed and custodians taking action as a result of this variance?
Compt	12.	Are accounts receivable and accounts payable given periodic age analyses as well as inventory turnover computation and analyses?

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DPCA	13.	Does a lack of physical proximity between the FAO and CAD hinder quick coordination and immediate responsiveness?
Compt	14.	Are depreciation expenses and related sinking fund amounts recorded each month by the CAD?
DPCA & Compt	15.	Have funds been set aside for investment programs? Has a cash budget/cash flow analysis been prepared for all NAF activities?
Compt	16.	How regulated is the flow of documents between the fund managers and the CAD? Is the flow complete and timely, and does it follow prescribed standard operating procedures?
Compt	17.	Have the positions in the CAD which can be paid from appropriated funds or nonappropriated funds reimbursed by appropriated funds been established or identified?
Compt/ MISO	18.	Are the organizations which provide support and utilize the NAFISS aware of the 75% appropriated funds and 25% nonappropriated fund split for cost and method of reimbursement?
Compt	19.	Has NAFISS been completely implemented? If not, when? If so, have cost savings been realized?
Compt/ DPCA	20.	Are your NAF employees being paid from the central NAF payroll site? Have there been any problems as a result of this system, i.e., late pay?
Compt	21.	Is the CAD functionally organized.
Compt	22.	Does the NAFI Advisory Panel exist?
Compt	23.	Has the CAD prepared an Annual Operating Budget and established an equitable method of preparation of costs to the user as a result of its budget formulation?
DPCA	24.	Is there an annual validation of NAFI's being conducted IAW AR 230-1? If so, are deficiencies being corrected and a letter detailing the results of the review being dispatched to each NAFI custodian? If not, when will the procedure be established?
DPCA	25.	Is the Package Beverage Branch in CONUS distributing 30% of its profits to the MWR activities?
DPCA	26.	Have all NAF activities developed and implemented some form of Management Information System (MIS) to monitor selected revenue and expense items?
DPCA	27.	Is a monthly variance analysis being performed by all fund managers and are the variances being analyzed which result in adjustments to their operating budgets?

Chapter 12

MAJOR COMMAND FINANCIAL MANAGEMENT

12-1. GENERAL. The major commands (MACOMs) of the US Army are essentially distributors of funds rather than users. The MACOMs are the organizational interface of the programing and budgeting system. The MACOMs prepare input to the programing process with the Program Analysis Resource Review (PARR) which presents analysis, new initiatives, recommendations for change, and detail costing of approved Program Development Increment Packages (PDIPs). Simultaneously, the MACOMs formulate, monitor, analyze and coordinate the budget formulation and execution activities of subordinate installations.

12-2. ORGANIZATION FOR FINANCIAL MANAGEMENT. Generally there are two configurations for performing the MACOM role in financial management, the traditional Comptroller or a Resource Management concept. The Resource Management concept recognizes the broad scope of comptroller functions and interrelationships by including additional aspects of resource management. Typically, the Deputy Chief of Staff for Resource Management (DCSRM) has responsibilities in management, budgeting, financial, cost analysis and force development. The inclusion of force development recognizes the resource implications of changes to the force structure and manpower documents. Typically, the traditional Comptroller does not have responsibility for force development.

12-3. MACOM ROLE IN ARMY PLANNING, PROGRAMING, AND BUDGETING. As defined in AR 1-1, the Army Planning, Programing, and Budgeting System (PPBS) is a management system employed by the Department of the Army to insure effective use of resources. In conjunction with DOD and Joint Chief of Staff (JCS) guidance, the Army PPBS is designed to provide timely input of Army views that will appropriately influence the policy, strategy, force objectives, and other considerations of the Secretary of Defense and Joint Staff and also provide timely guidance to the Army Staff and commanders. The Army Program Objective Memorandum (POM) is the Army's primary programing document of the programing phase of the PPBS cycle. The POM is a single document that details the total Army requirements for the program year and the four outyears. It represents the Army's response to OSD's formal guidance and is constrained by all guidance published by OSD prior to POM development. Forces, manpower, materiel, and costs are covered in the POM. The 5-year POM is developed 2 years prior to the program year contained therein and is normally published and distributed to the major commands in late May of each year.

12-4. PROGRAMING.

a. Effective with the STEADFAST reorganization, two major commands--TRADOC and FORSCOM--were required on a test basis to become more directly involved in the Army PPBS cycle. This unprecedented action permitted these two commands to add their analyses to the development of the POM. This test proved so successful that all major commands and DA Agencies now take part in POM development.

b. Each MACOM is required to submit to HQDA in the January-February timeframe a program document entitled the Program Analysis and Resource Review (PARR). The PARR is based on the total obligation authority control received in the October Program Budget Guidance (PBG) and the Army Guidance (AG). The MACOM will prepare their PARR addressing DA initiatives, their own initiatives, and recommended changes. The PARRs are then screened, analyzed, and approved by HQDA. Through the use of the PARR, the major commanders are able to influence the optimum allocation of program resources within their commands while reinforcing sound analysis and program management at the HQDA level.

c. The result of the above process is an operating program which records the missions to be conducted and the resources required to accomplish those missions. The specific objectives of the operating program are:

(1) To announce command objectives, guidance for their attainment, and applicable policies and priorities.

(2) To provide the basis for development of a balanced program consistent with existing resources and planned workloads.

(3) To furnish adequate and timely guidance to major subordinate activities for use in budget formulation, justification and execution.

(4) To permit a continuing evaluation of performance measured against established performance workload schedules and programed use of resources.

d. The programing function is so broad in scope that an organizational element is normally created to monitor the process. The element may be within the operational control of the Comptroller/Deputy Chief of Staff for Resource Management or report directly to the command elements. This office will perform program reviews and analyses in all matters having resource implications with emphasis on the program years. Additionally, the office will perform as a coordinator for program actions and independent studies either related to or impacting upon planning, programing, budgeting, use and management of resources.

12-5. BUDGETING. The budgeting process at the MACOM resembles in many ways the installation process which was fully described in chapter 6. It is a highly technical, time-controlled process that produces prescribed documents to HQDA for use in preparing the Army Budget Estimates (ABE). This process includes a careful review and justification by the MACOM Program Budget Advisory Committee and approval by the major commander. The MACOM PBAC serves as a top management advisory group to the commander. The Chief of Staff is normally the chairman. Other members are the principal staff officers responsible for the functional areas of comptroller, engineer, personnel, operations, logistics, and other representatives as desired by the commander. The committee considers all aspects of the internal management of the command. Each member insures that his area of staff responsibility is accorded full consideration by the committee. The goals and requirements of individual areas are coordinated and molded into overall goals and requirements for the command. The recommendations of the PBAC represent the consensus of the top management

officials of the command.

12-6. FUNDING. In chapter 2, operating, investment, and revolving funds were identified and discussed briefly. In most instances a single installation would not be involved in budgeting and accounting for each of those categories of funds. The MACOM, however, will usually be involved with all of those funds, and will be further subdividing them to the subordinate installations, whose mission accomplishment is dependent upon that funding. Additionally, there are the contingency funds which have not been previously discussed. Contingency funds are closely monitored by the MACOM and are available to each installation commander. The contingency funds are for miscellaneous expenses in celebrating national holidays, dedicating facilities, visits of distinguished guests, and a host of other representation functions. Guidelines for using contingency funds are in AR 37-47 (Contingency Funds of the Secretary of the Army). Strict accounting and reporting are required.

12-7. COST ANALYSIS. This is an analytical arm of the Comptroller which permits him to act as a consultant to the Commander, taking the broadest possible view of resource management, and providing a check and balance to proponent cost estimates. Cost analysis is the process of preparing, evaluating, and/or validating cost estimates to provide to management the most credible and realistic cost estimates. Products should anticipate and identify issues of management impact. That is, cost analysis should assure that the overall cost to the government of material systems, forces, units and activities is presented in ways which yield cost realism and thereby improve the allocation and management of Army resources at all levels. Cost analysis supports the decisionmaker by providing reviews and evaluation which brings meaning to financial management. (For more details, see AR 11-18, Cost Analysis Program.)

12-8. ECONOMIC ANALYSIS. This is a systematic approach that will provide information to a problem of choice involving investigation of efficient and effective alternatives in the employment of scarce resources to attain a goal or objective. Economic analysis is an integral part of the planning, programing, and budgeting system of the Department of the Army and the MACOMs, which should also be used at installation level. The use of this technique in the decisionmaking process provides for the systematic evaluation of alternative means of reaching an objective in order to improve the allocation and management of resources at all levels of the Army. Budget submissions should, as a minimum, be accompanied with a statement that: (1) the submission is supported by an economic analysis, or (2) an economic analysis is not required. (For more details, see AR 11-28, Economic Analysis and Program Evaluation for Resource Management.)

12-9. THE COMMANDER'S RESOURCE AGREEMENT/INSTALLATION CONTRACT.

a. The major commander may desire to execute personal contracts with the subordinate commanders. The concept of the Commander's Resource Agreement/Installation Contract is that funds and manpower (resources) will be provided the installation commander, based on a programed workload. If missions or levels of workload are changed, resources are adjusted accordingly.

b. This contract is a formal agreement between the major commander and an installation or activity commander. It summarizes the resources and workload of the installation or activity.

12-10. SUBDIVIDING FUNDS.

a. Receipt and distribution of funds. The finance and accounting officer, under direct supervision of the comptroller, is responsible for the overall supervision, management, and control of the financial resources at the major commands. This responsibility includes receipt and issuance of funding documents to activities and maintenance of records that provide control over annual funding programs, allocations, suballocations, and other similar fund authorizations.

b. Limitations included in funding authorization documents. A limitation imposed upon the use of an appropriation or other fund or subdivision thereof has the same effect as a fund subdivision in the control of obligations and expenditures. Limitations prescribed in funding documents and in statutes or other applicable directives must be observed.

c. Legal responsibilities of finance and accounting officers. The commander is responsible for the administrative control of funds. Through his finance and accounting officer he will establish adequate controls to prevent an overdistribution of funds and withdrawals in excess of available balances.

d. Delegating fiscal responsibilities. The MACOM finance and accounting officer, under the direct supervision of the comptroller of the command, is responsible for maintaining control and distribution of records. No specific accounting organization is prescribed. However, all accounting and reporting functions for an operating agency should be accomplished at a single location. Whenever the workload is too small or when shortages of personnel or equipment make it inadvisable to perform accounting and reporting functions, those functions may be satellited, by agreement, upon other offices or agencies. However, the satellited office or agency still retains its responsibilities.

12-11. ACCOUNTING AND REPORTING. The MACOM, with its accounts office, is responsible for consolidating installation feeder data and further reporting to HQDA. This is done through computerized management information systems such as the Standard Finance System (STANFINS), the accelerated Treasury reporting system for disbursements (DELMARS), the Standard Army Intermediate Level System (SAILS), and others. Using this report receipt and consolidation process, accountants and technicians at the MACOM level may discover account balances indicating that a subordinate installation is on the threshold of an RS 3679 violation. Appropriate action can then be taken to adjust funds, in coordination with the subordinate command, to avoid the violation.

12-12. ACTION REQUIRED ON RS 3679 VIOLATIONS.

a. AR 37-20 prescribes policies and procedures for reporting violations or alleged violations of RS 3679. Within 15 days from date of discovery of the alleged violation, a flash report will be submitted by message, through

command channels, to the Comptroller of the Army, ATTN: DACA-FAA-G. This is one of 2 reports required for RS 3679 violations.

b. The commander of the activity in which the violation occurred is responsible for appointing a board of officers to investigate the facts and circumstances surrounding the violation and for fixing individual responsibility. The report of this investigation is the second RS 3679 reporting requirement and must be submitted within 90 days. The report will be signed by the commander responsible for administrative control of the funds involved. Information to be reported is prescribed in paragraph 2-3, AR 37-20.

c. The MACOM review of the reports described above is very critical in assisting HQDA with its adjudication of the case and subsequent reporting to DOD and the Congress. Expeditious coordination within the MACOM staff is required to insure that every technicality has been considered in the reporting process.

12-13. REAL TIME AUDIT AND REVIEW. The concept of real time feedback in the audit and review process was discussed in chapter 3. All staff elements of the MACOM have a role in this process; the MACOM Internal Review staff has a major responsibility in this process, as indicated below.

a. The Internal Review staff's functions pertain primarily to policy, supervision, guidance, and surveillance. Its objective is to insure that IR programs of lower echelons meet professional standards of performance, objectivity, and thoroughness, and are responsive to management's current needs and interests. The command headquarters staff also conducts internal reviews within the headquarters, as appropriate.

b. The audit compliance includes providing liaison to external audit agencies, evaluating and coordinating external audit reports, consolidating command replies to audit reports, and making follow-up reviews in the headquarters to evaluate the adequacy of actions taken to correct reported deficiencies.

c. The MACOMs are responsible for executing effective programs to maintain surveillance over, and to evaluate, commandwide Internal Review operations.

d. Another function is to identify command-wide problem areas and develop detailed Internal Review Guides to assist the installation auditors in making reviews; and furnish, as lessons learned summaries, results to the field of the findings obtained from the command-wide reviews.

e. Maintaining a program of audit trends designed to assist in identifying and correcting existing or potential problems is still another function.